NEW ISSUE

Moody's: "Aa2"
(See "Rating" herein)

DASNY
DORMITORY AUTHORITY STATE OF NEW YORK

DAC Bond

$6,090,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
HARBORFIELDS PUBLIC LIBRARY
REVENUE BONDS, SERIES 2013

Dated: Date of Delivery **Due: As Shown Below**

Payment and Security: The Harborfields Public Library Revenue Bonds, Series 2013 (the "Series 2013 Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY"), payable solely from and secured by a pledge of certain payments to be made under the Loan Agreement (the "Loan Agreement"), dated as of March 13, 2013 between Harborfields Public Library (the "Library") and DASNY and all funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Harborfields Public Library Revenue Bond Resolution, adopted March 13, 2013 (the "Resolution"), and established under DASNY's Series 2013 Resolution Authorizing Up To $7,000,000 Harborfields Public Library Revenue Bonds, Series 2013, adopted March 13, 2013 (the "Series 2013 Resolution").

The Loan Agreement is a general obligation of the Library and requires the Library to pay, in addition to the fees and expenses of DASNY and the Trustee, amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2013 Bonds, as such payments become due. The obligations of the Library under the Loan Agreement are secured by a pledge of the revenues of the Library, including real property tax assessments on real property located in the Harborfields Public Library District payable for library purposes.

The Series 2013 Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. DASNY has no taxing power.

Description: The Series 2013 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due July 1, 2013 and each January 1 and July 1 thereafter) on the Series 2013 Bonds will be payable by check or draft mailed to the registered owners thereof. Principal and Redemption Price of the Series 2013 Bonds will be payable at the principal corporate trust office of U.S. Bank National Association, New York, New York, the Trustee and Paying Agent.

The Series 2013 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 2013 Bonds will be made in book entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2013 Bonds, payments of the principal and Redemption Price of and interest on such Series 2013 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 2013 BONDS - Book-Entry Only System".

Redemption: *The Series 2013 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity, as more fully described herein.*

Tax Exemption: In the opinion of each of Hodgson Russ LLP and Golden Holley James LLP, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other things, the accuracy of certain representations and certifications and compliance with certain covenants, interest on the Series 2013 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"). Co-Bond Counsel 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 2013 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel are further of the opinion that interest on the Series 2013 Bonds is exempt from personal income taxes of the State of New York and any political subdivision thereof (including The City of New York). Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds. See "PART 10 - TAX MATTERS" herein.

$6,090,000 Serial Bonds

Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]	Due July 1,	Amount	Interest Rate	Yield	CUSIP Number[(1)]
2013	$ 25,000	2.00%	0.30%	649907 KE1	2023	$310,000	5.00%	2.20%	649907 JU7
2014	230,000	3.00	0.50	649907 JK9	2024	330,000	5.00	2.40*	649907 JV5
2015	235,000	3.00	0.60	649907 JL7	2025	345,000	5.00	2.60*	649907 JW3
2016	240,000	3.00	0.75	649907 JM5	2026	360,000	3.00	3.06	649907 JX1
2017	250,000	3.00	0.95	649907 JN3	2027	370,000	3.00	3.10	649907 JY9
2018	255,000	3.00	1.15	649907 JP8	2028	375,000	3.00	3.17	649907 JZ6
2019	265,000	4.00	1.35	649907 JQ6	2029	390,000	3.125	3.27	649907 KA9
2020	275,000	4.00	1.60	649907 JR4	2030	405,000	3.125	3.32	649907 KB7
2021	290,000	4.00	1.80	649907 JS2	2031	415,000	3.25	3.36	649907 KC5
2022	295,000	4.00	2.00	649907 JT0	2032	430,000	3.25	3.40	649907 KD3

* Priced to the July 1, 2023 par call.

The Series 2013 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2013 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 of the Series 2013 Bonds by Hodgson Russ LLP, Albany, New York and Golden Holley James LLP, New York, New York, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Library by its Counsel, Lamb & Barnosky, LLP, Melville, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Gonzalez Saggio & Harlan LLP, New York, New York. DASNY expects to deliver the Series 2013 Bonds in definitive form in New York, New York, on or about May 2, 2013.

Roosevelt & Cross Incorporated

April 18, 2013

(1) CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2013 Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2013 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2013 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2013 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2013 Bonds.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Library or the Underwriter to give any information or to make any representations with respect to the Series 2013 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, the Library or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

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

The Library has reviewed the parts of this Official Statement describing the Library, the Project, the Refunding Plan, the Estimated Sources and Uses of Funds and Appendix B. The Library will certify as of the dates of sale and delivery by DASNY of the Series 2013 Bonds that such parts do not contain any untrue statements of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Library makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2013 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2013 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2013 Resolution and the Loan Agreement are on file with DASNY and the Trustee.

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2013 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2013 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK **515 BROADWAY, ALBANY, N.Y. 12207**
PAUL T. WILLIAMS, JR. - PRESIDENT **ALFONSO L. CARNEY, JR., ESQ. - CHAIR**

OFFICIAL STATEMENT RELATING TO

$6,090,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
HARBORFIELDS PUBLIC LIBRARY
REVENUE BONDS, SERIES 2013

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about DASNY and the Library in connection with the offering by DASNY of $6,090,000 principal amount of its Harborfields Public Library Revenue Bonds, Series 2013 (the "Series 2013 Bonds").

The following is a brief description of certain information concerning the Series 2013 Bonds, DASNY and the Library. A more complete description of such information and additional information that may affect decisions to invest in the Series 2013 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2013 Bonds are being issued (i) to current refund DASNY's Harborfields Public Library Insured Revenue Bonds, Series 2003 (the "Refunded Bonds"), and (ii) to pay the Costs of Issuance of the Series 2013 Bonds. See "PART 5 - THE REFUNDING PLAN" and "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2013 Bonds will be issued pursuant to the Resolution, the Series 2013 Resolution and the Act. The Resolution authorizes the issuance of multiple Series of Bonds. The Series 2013 Resolution authorizes the issuance of the Series 2013 Bonds in an amount not to exceed $7,000,000.

DASNY

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

The Library

The Library is a not-for-profit education corporation and school district public library chartered by the Board of Regents of the State. The Library is located in the Harborfields Central School District of Greenlawn (the "Library District"), part of the Town of Huntington, New York (the "Town") and is one of 55 member libraries in the Suffolk Cooperative Library System. See "PART 4 - THE LIBRARY" and "Appendix B - Audited Financial Statements of Harborfields Public Library."

The Series 2013 Bonds

The Series 2013 Bonds will be dated their date of delivery and will bear interest from such date (payable July 1, 2013 and on each January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the cover page of this Official Statement. See "PART 3 - THE SERIES 2013 BONDS - Description of the Series 2013 Bonds."

Payment of the Series 2013 Bonds

The Series 2013 Bonds will be special obligations of DASNY payable solely from the Revenues that consist of certain payments to be made by the Library under the Loan Agreement. The Loan Agreement is a general obligation of the Library. Pursuant to the Resolution and the Series 2013 Resolution, the Revenues and DASNY's right to receive the Revenues have been pledged and assigned to the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS - Payment of the Series 2013 Bonds."

Authorization of Project, Payment and Tax Levy

On April 9, 2002, the qualified voters in the Library District authorized by referendum (the "Tax Referendum") the modernization and renovation of the library facility and the expansion of parking facilities (collectively referred to as the "Project"). The Project is located in the Library District and was financed with proceeds from the Refunded Bonds. The Tax Referendum remains in effect. Pursuant to the Tax Referendum, the qualified voters also authorized the Library to assign and pledge to DASNY funds in an amount sufficient to repay all obligations of the Library under the loan agreement executed in connection with the Refunded Bonds to finance the Project, and authorized such funds to be raised by real property taxes levied annually by the Town on taxable property located within the Library District.

Security for the Series 2013 Bonds

The Series 2013 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Pledged Revenues granted by the Library to DASNY under the Loan Agreement. DASNY's security interest in the Pledged Revenues will be a first lien thereon. The Pledged Revenues consist primarily of moneys derived from real property tax levies made on behalf of the Library by the Town. The Real Property Tax Law governs methods and procedures to levy, collect and enforce this tax.

The Series 2013 Bonds will also be secured by all funds and accounts authorized by the Resolution and established by the Series 2013 Resolution (with the exception of the Arbitrage Rebate Fund). In the event of nonpayment by the Library under the Loan Agreement, DASNY is authorized by law to direct State and local officers including, without limitation, officers of the Town to pay over to DASNY any and all funds owed to the Library by the State or any political subdivision thereof in an amount sufficient to make all payments required to be made under the Loan Agreement. Such funds represent a portion of the Pledged Revenues. The Library may incur debt secured by a parity lien on certain of the Pledged Revenues (excluding the portion of the Pledged Revenues representing the tax levy authorized by the Tax Referendum) with the prior written consent of DASNY. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS - Security for the Series 2013 Bonds."

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

The Series 2013 Bonds will not be a debt of the Town nor will the Town be liable thereon or under the Loan Agreement.

The Series 2013 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2013 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2013 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2013 Resolution and the Loan Agreement. Copies of the Resolution, the Series 2013 Resolution and the Loan Agreement are on file with DASNY and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2013 Bonds

The Series 2013 Bonds will be special obligations of DASNY. The principal and Redemption Price of and interest on the Series 2013 Bonds will be payable solely from the Revenues. The Revenues consist of the required payments to be made by the Library under the Loan Agreement to satisfy the principal and Redemption Price of and interest on the Bonds. The Revenues and the right to receive them have been pledged and assigned to the Trustee for the benefit of the Bondholders.

The Loan Agreement is a general obligation of the Library and obligates the Library to make payments on account of the principal and Redemption Price of and interest on Outstanding Series 2013 Bonds. Such payments are to be made annually on or before December 1, in an amount equal to the interest coming due on the next two succeeding interest payment dates (January 1 and July 1) and the principal coming due on the next succeeding July 1. The Loan Agreement also obligates the Library to pay, at least 45 days prior to a redemption date of Series 2013 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Series 2013 Bonds. See "PART 3 - THE SERIES 2013 BONDS - Redemption Provisions".

Pursuant to the Loan Agreement, DASNY has directed, and the Library has agreed to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal and Redemption Price of and interest on the Series 2013 Bonds.

Authorization of Project, Payment and Tax Levy

The Tax Referendum passed on April 9, 2002 by the qualified voters in the Library District authorized the Library to assign and pledge to DASNY funds sufficient to repay all obligations of the Library under the loan agreement executed in connection with the Refunded Bonds to finance the Project, and authorized such funds to be raised by a real property tax assessment on real property located within the Library District to be levied annually by the Town for Library purposes. Upon the refunding of the Refunded Bonds, the Tax Referendum remains in effect in connection with the execution of the Loan Agreement by the Library relating to the Series 2013 Bonds.

Security for the Series 2013 Bonds

The Series 2013 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2013 Bonds (until disbursed as provided in the Resolution) all funds and accounts authorized under the Resolution and established under the Series 2013 Resolution (with the exception of the Arbitrage Rebate Fund) and DASNY's security interest in the Pledged Revenues. There will not be a Debt Service Reserve Fund established in connection with the issuance of the Series 2013 Bonds.

Pledged Revenues

The Series 2013 Bonds will be secured by a pledge of the Pledged Revenues, consisting of all revenues of the Library, including the real property tax levies made on behalf of the Library by the Town on all non-exempt real property situated within the Library District to be paid over annually to the Library and the right to receive such Pledged Revenues. In the event of nonpayment by the Library under the Loan Agreement, DASNY is authorized under the Act to direct State and local officers including without limitation, officers of the Town, to pay over to DASNY any and all funds owed to the Library by the State or any political subdivision in an amount sufficient to make all payments required to be made under the Loan Agreement. DASNY's security interest in the Pledged Revenues will be a first lien thereon and will not be subject to any preexisting liens. The Library may incur debt secured by a parity lien on certain of the Pledged Revenues (excluding the portion of the Pledged Revenues representing the tax levy authorized by the Tax Referendum) with the prior written consent of DASNY. See "PART 4 - THE LIBRARY" and "Appendix B - Audited Financial Statements of Harborfields Public Library."

The Series 2013 Bonds will not be a debt of the Town nor will the Town be liable thereon or under the Loan Agreement.

The Collection Agreement

In connection with the issuance of the Series 2013 Bonds, the Library, DASNY, the Town and the Trustee will execute the Tax Pledge and Collection Agreement (the "Collection Agreement") governing the remittance and application of the annual tax levied against the taxable real property within the Library District and collected by the Town on behalf of the Library (the "Annual Tax"). Pursuant to the Collection Agreement and for so long as the Series 2013 Bonds remain Outstanding, the Library directs the Town to pay the Annual Tax collected by the Town directly to the Trustee (the "Tax Receipts"). Promptly upon receipt of any Tax Receipts during any 12-month period beginning on July 1 and ending on the following June 30 (a "Fiscal Year"), and in no event later than three (3) business days following receipt of the Tax Receipts, the Trustee shall transfer such Tax Receipts to the Debt Service

Fund until such time as the sum of all Tax Receipts transferred to the Debt Service Fund during such Fiscal Year is equal to the Debt Service Obligation for such Fiscal Year. Following such time as the sum of all Tax Receipts transferred to the Debt Service Fund during such Fiscal Year is equal to the Debt Service Obligation for such Fiscal Year, the Trustee shall transfer any Tax Receipts thereafter received in the Tax Receipts Account to the Library. To the extent that the Library makes any payment directly to the Trustee pursuant to the Loan Agreement, such payment shall be taken into account in determining whether the sum of all Tax Receipts transferred to the Debt Service Fund during such Fiscal Year is equal to the Debt Service Obligation for such Year.

Upon issuance of the Series 2013 Bonds, the Library will pay to the Trustee for deposit in the Debt Service Fund an amount sufficient to pay interest payable on the Series 2013 Bonds on July 1, 2013 and January 1, 2014.

Events of Default and Acceleration

The Resolution provides that events of default thereunder and under the Series 2013 Resolution constitute events of default only with respect to the Series 2013 Bonds. The following are events of default under the Resolution: (i) a default in the payment of the principal or Redemption Price of or interest on any Series 2013 Bond; (ii) DASNY defaults in the due and punctual performance of the tax covenants contained in the Series 2013 Resolution, and, as a result thereof, the interest on Bonds of a Series shall no longer be excludable from gross income under the Code; (iii) a default by DASNY in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Series 2013 Bonds or in the Resolution or the Series 2013 Resolution on the part of DASNY to be performed and the continuance of such default for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to DASNY by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2013 Bonds; or (iv) DASNY shall have notified the Trustee that an event of default under the Loan Agreement shall have occurred and is continuing and all sums payable by the Library under the Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless all sums payable by the Library under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee must, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2013 Bonds, shall by notice in writing to DASNY, declare the principal of and interest on all of the Outstanding Series 2013 Bonds to be due and payable. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee, with the written consent of the Holders of not less than 25% in principal amount of Series 2013 Bonds not yet due by their terms and then Outstanding, may annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Holders of not less than a majority in principal amount of the Outstanding Series 2013 Bonds have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Holders of the Series 2013 Bonds within 30 days after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that except in the case of default in the payment of the principal or Redemption Price of, or interest on, any of the Series 2013 Bonds, the Trustee shall be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2013 Bonds.

General

The Series 2013 Bonds will not be a debt of the State or the Town nor will the State or the Town be liable thereon. DASNY has no taxing power. DASNY has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See “PART 7 - DASNY.”

PART 3 - THE SERIES 2013 BONDS

Description of the Series 2013 Bonds

The Series 2013 Bonds will be issued pursuant to the Resolution and the Series 2013 Resolution, will be dated the date of delivery of the Series 2013 Bonds and will bear interest from such date (payable July 1, 2013 and on each January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the cover page of this Official Statement.

The Series 2013 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2013 Bonds may be exchanged for Series 2013 Bonds of the same maturity of any other authorized denomination. The Trustee may impose a charge sufficient to reimburse DASNY or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2013 Bond.

The principal or Redemption Price of the Series 2013 Bonds will be payable at the principal corporate trust office of U.S. Bank National Association, as the Trustee. The Redemption Price of a Series 2013 Bond will be paid to any Bondholder of $1,000,000 or more in aggregate principal amount of Series 2013 Bonds by wire transfer to the wire transfer address within the continental United States specified by such Bondholder in the written request of such Bondholder made to the Trustee at the time the Series 2013 Bonds to be redeemed are presented and surrendered to the Trustee.

Interest on the Series 2013 Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day of the calendar month next preceding an interest payment date. In the event the Series 2013 Bonds shall no longer be issued in book-entry only form, interest will be paid to any Bondholder of $1,000,000 or more aggregate principal amount of Series 2013 Bonds by wire transfer to the wire transfer address within the continental United States specified by such Bondholder, upon the written request of such Holder received not less than 5 days prior to the Record Date, which written request may apply to multiple interest payment dates.

Such Bondholders may receive the Redemption Price to be paid on their Series 2013 Bonds by wire transfer at the address in the continental United States specified by such Bondholders in a written request given to the Trustee at the time presentation and surrender of the Series 2013 Bonds to be redeemed is made.

For a more complete description of the Series 2013 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Redemption and Purchase in Lieu of Redemption Provisions

Optional Redemption

The Series 2013 Bonds maturing on or before July 1, 2023, are not subject to optional redemption prior to maturity. The Series 2013 Bonds maturing after July 1, 2023, are subject to redemption prior to maturity on or after July 1, 2023, in any order at the option of DASNY, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Special Redemption

The Series 2013 Bonds are also subject to redemption as a whole or in part at any time at a Redemption Price of 100% of the principal amount thereof, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project.

Purchase in Lieu of Redemption

The Series 2013 Bonds maturing on or before July 1, 2023 are not subject to purchase in lieu of redemption prior to maturity. The Series 2013 Bonds maturing after July 1, 2023 are subject to purchase in lieu of redemption prior to maturity on or after July 1, 2023, at the option of the Library with the prior written consent of DASNY, as a whole or in part at any time, at a purchase price of 100% of the principal amount to be purchased (the "Purchase Price") plus accrued interest to the date set for purchase (the "Purchase Date").

Selection of Bonds to be Redeemed

In the case of redemptions or purchases of the Series 2013 Bonds described above under the subheadings *"Optional Redemption"* or *"Purchase in Lieu of Redemption"*, DASNY will select the maturities of the Series 2013

Bonds to be redeemed or purchased. In the case of redemption of Series 2013 Bonds described above under the subheading *"Special Redemption"*, Series 2013 Bonds will be redeemed to the extent practicable pro rata among the Outstanding Series 2013 Bonds of each maturity, but only in integral multiples of $5,000 within each maturity. If less than all of the Series 2013 Bonds of a maturity are to be redeemed (pursuant to an optional, special or mandatory redemption), the Series 2013 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2013 Bonds in the name of DASNY given by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2013 Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2013 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2013 Bond. If directed in writing by an Authorized Officer of DASNY, the Trustee is to publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 45 days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2013 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2013 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the Series 2013 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2013 Bonds will no longer be considered to be Outstanding under the Resolution and the Series 2013 Resolution.

Notice of Purchase in Lieu of Redemption and Its Effect

Notice of purchase of the Series 2013 Bonds in lieu of redemption will be given in the name of the Library to the registered owners of the Series 2013 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2013 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2013 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. In the event the Series 2013 Bonds are called for purchase in lieu of redemption, such purchase shall not operate to extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2013 Bonds and such Series 2013 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Library's obligation to purchase a Series 2013 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2013 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2013 Bonds to be purchased, the former registered owners of such Series 2013 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2013 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2013 Bonds in accordance with their respective terms.

In the event that not all of the Outstanding Series 2013 Bonds of a maturity are to be purchased, the Series 2013 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2013 Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption, purchase in lieu of redemption and other provisions relating to the Series 2013 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution".

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2013 Bond certificate will be issued for each maturity of the Series 2013 Bonds, totaling in the aggregate the principal amount of the Series 2013 Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the

Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com

Purchases of the Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 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 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013 Bonds, except in the event that use of the book-entry system for such Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds within a maturity of the Series 2013 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 any other DTC nominee) will consent or vote with respect to the Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2013 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to

Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2013 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2013 Bond certificates will be printed and delivered to DTC.

For every transfer and exchange of Series 2013 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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

DASNY, THE LIBRARY, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2013 BONDS (1) PAYMENTS OF PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2013 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2013 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2013 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, OR THE DIRECT OR INDIRECT PARTICIPANTS, WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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

So long as Cede & Co. is the registered owner of the Series 2013 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2013 Bonds (other than under "PART 10 - TAX MATTERS" herein) mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2013 Bonds.

Principal and Interest Requirements for the Series 2013 Bonds

The following table sets forth the amounts required to be paid by the Library during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2013 Bonds payable on January l of such year and the principal of and interest on the Series 2013 Bonds payable on the succeeding July l and the aggregate payments to be made by the Library during each such period with respect to the Series 2013 Bonds.

12 Month Period Ending June 30	Principal Installments	Interest Payments	Total Debt Service
2013	$ 25,000	$ 35,483	$ 60,483
2014	230,000	216,006	446,006
2015	235,000	209,106	444,106
2016	240,000	202,056	442,056
2017	250,000	194,856	444,856
2018	255,000	187,356	442,356
2019	265,000	179,706	444,706
2020	275,000	169,106	444,106
2021	290,000	158,106	448,106
2022	295,000	146,506	441,506
2023	310,000	134,706	444,706
2024	330,000	119,206	449,206
2025	345,000	102,706	447,706
2026	360,000	85,456	445,456
2027	370,000	74,656	444,656
2028	375,000	63,556	438,556
2029	390,000	52,306	442,306
2030	405,000	40,119	445,119
2031	415,000	27,463	442,463
2032	430,000	13,975	443,975

PART 4 - THE LIBRARY

GENERAL INFORMATION

Introduction

Harborfields Public Library is a not-for-profit education corporation and school district public library chartered by the Board of Regents of the State of New York. The Library is located in the Harborfields Central School District of Greenlawn, part of the Town of Huntington, New York and is one of 55 member libraries in the Suffolk Cooperative Library System. Voters approved the establishment of the Library in a public vote held on June 10, 1970, at which time, the voters approved the Library's first budget and the first trustees of the Library were appointed.

The Library provides library services primarily to the residents of the Harborfields Central School District (the "School District") and serves a population of approximately 18,800. The Library's collection includes over 105,000 volumes, including reference, adult non-fiction, popular fiction, children's materials and large print items. The Library serves as the meeting place of the community with four public meeting rooms available. The Library holds a number of public programs including children's and family story hours, young adult summer reading clubs and programs of community interest such as concerts and theatrical productions. The Library also provides outreach and delivery to local nursing homes and senior housing facilities, as well as to the homebound. The Library has a small gallery and exhibit areas where artwork and collectables are displayed and where library materials can be highlighted.

The Series 2013 Bonds are not a debt of the Town nor is the Town liable thereon.

Governance and Administration

The Library is governed by an elected Board of Trustees (the "Board") consisting of five members, all of whom were elected by residents of the Library District. Any resident of the Library District who is 18 years or older is eligible for election. Board members are elected for staggered five-year terms and can be re-elected to an unlimited number of terms. The Board meets eleven times a year or more frequently as required.

The present members of the Board are:

Name	Principal Occupation	Term Expires
Joseph Friedlander President	Business Owner	2016
William K. Baker Vice President	Retired	2015
Jenny Wyckoff Shore Secretary	Mental Health Professional	2013
Joyce Hilgeman Financial Officer	Retired	2014
Ellen Rieger Trustee	Business Owner	2017

Carol Albano was appointed as the Library's Director in 2005. Prior to her term as Director, Mrs. Albano served as a Librarian and Head of Children's Services at the Library from 1987 to 2002 and Assistant Director from 2003 to 2005. The Director acts as chief financial officer of the Library, as liaison to the Board and as Director of all duties pertaining to library and financial operations.

Ryan Athanas was appointed as the Library's Assistant Director in 2007. Mr. Athanas assists the Director in the day-to-day operations of the Library, including personnel and financial matters. Prior to his term as Assistant Director, Mr. Athanas was a Computer/Reference Librarian at the Library from 1997 to 2007. The Assistant Director has been authorized by the Board of Trustees to assume the full responsibilities of the Director in his absence.

The Library District

The Library District serves the area coterminous with that of the School District, which is located on the north shore of Long Island wholly within the Town of Huntington, Suffolk County, New York. The Library District encompasses part of the hamlets of Greenlawn and Centerport. Midtown Manhattan (NYC) is approximately 40 miles away. The Library District encompasses approximately eight square miles and has a population currently estimated at 18,800.

The Library District is composed primarily of single-family residential housing with some garden apartments and condominiums. Long Island Sound forms the northern border of the Library District and provides residents with many recreational opportunities. The Library District encompasses all of Centerport Harbor and part of Northport Harbor. Both harbors provide a natural sheltered anchorage for recreational and commercial boating activities. The Town of Huntington owns and maintains two public beaches within the Library District. The Vanderbilt Museum and Planetarium is located within the Library District. Huntington Crescent Club, a private country club and golf course, is partially located within the Library District.

Real Property Taxes

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

Property Tax Cap Law

The Library's charter does not address or limit the amount that may be raised by the Library District-wide real property tax levy for the benefit of the Library in any fiscal year. However, on June 24, 2011, the Property Tax Cap Law, as written in Chapter 97 of the State Laws of 2011, was signed into law. The Property Tax Cap Law establishes a limit on the annual growth of property taxes levied by local governments. It does not specifically mention libraries, however, guidance issued by the office of the State Comptroller and jointly by the State

Department of Taxation and Finance and the State Department of State indicates that it is intended to cover libraries. It applies for any fiscal year commencing after January 1, 2012. The power of local governments to levy real property taxes on all taxable real property within their boundaries without limitation as to rate or amount is subject to statutory limitations pursuant to formulae set forth in the Property Tax Cap Law. The Property Tax Cap Law restricts the increase in the amount of the succeeding year's tax levy to no more than the lesser of 2% of the prior year's tax levy or an inflation rate as computed under the Property Tax Cap Law (but not less than 1%), with limited exceptions.

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

This interpretation means that school district libraries, like the Library, have their own, separate tax cap, and that the mechanism to exceed the tax cap is the same as for local government. To exceed the tax cap, a library board would pass a vote by a 60% margin of trustees, then bring the proposal to a public vote. If the public approves the proposal by a simple majority (more than 50%), only then may the tax cap be exceeded.

The Library's budgets for the fiscal years beginning July 1, 2012 and July 1, 2013 did not exceed the 2% tax limit. The qualified voters in the Library District approved such budgets by an approval rate of 75% and 67%, respectively.

Tax Collection Procedure

Property taxes levied for the Library District, together with Town and County taxes are collected by the Town Tax Receiver. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable and 10% after May 31.

The Library District receives its full levy before the end of its fiscal year. Uncollected amounts are not segregated by the Town Tax Receiver, and any deficiency in tax collection is the County's liability.

Library Budget

The Library's fiscal year begins on July 1 and ends on June 30. During the winter and early spring, the budget is developed by the Library Director with input from Library department heads. The Library Board further refines the budget. Under current law the budget is submitted to the voters of the Library District in April of each year. The 2012-2013 budget was approved by Library District voters on April 3, 2012 and the 2013-2014 budget was approved by the Library District voters on April 2, 2013. The 2012-2013 and 2013-2014 budgets are included below.

Budget Summaries
Fiscal Years Ending June 30:

	2013	2014
Revenues:		
Tax Revenues	$4,552,650	$4,642,408
Investment Income	13,000	13,000
Copier Fees	7,000	7,000
State Aid	5,500	5,200
Rental Fees	1,500	2,000
Appropriated Fund Balance	80,000	95,000
Miscellaneous Income	32,000	35,000
Total Revenues	$4,691,650	$4,799,608
Expenditures:		
Salaries	$2,252,500	$2,264,033
Benefits	968,000	1,110,000
Materials	370,250	332,250
Operations	590,900	583,825
Other	10,000	9,500
Debt Service	500,000	500,000
Total Expenditures	$4,691,650	$4,799,608

Insurance

The Library maintains a comprehensive package of institutional insurance coverage. The policy coverage (both its limits and policy scope) is periodically evaluated to assure that appropriate coverage is maintained based upon replacement value of the existing physical library structures and an analysis of potential liabilities. At the present time, the Library has $14,707,057 coverage on real and personal property, including boiler and machinery, $2,000,000 (aggregate) in liability coverage, $6,618,884 in books, DVDs, reference materials, etc., $1,000,000 (aggregate) in director and officers liability coverage and automobile worker's compensation and employee liability, crime and electronic data processing coverage.

Employees

The Library currently employs 28 full-time and 45 part-time individuals, all under the supervision of the Library's Director, of whom 21 are professionals with Masters Degrees in Library Science. The remaining staff consists of the clerical staff. The Library has a good history of relations with its employees; however, there can be no assurances that such relations will continue.

Employee Pension System

Certain Library employees are eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York and are members of the New York State and Local Employee's Retirement System ("ERS"). The ERS is noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems who were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year's full-time service, contribute 3% of their gross annual salary toward the cost of retirement programs.

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

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the Library. Under the previous method, the Library was unsure of how much it paid to the system until after its budget was implemented. Under the current method the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the Library will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) required the Library to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

Due to poor performance of the investment portfolio of the State Retirement System, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rates for required pension contributions to the ERS will continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school districts to amortize a portion of such contributions. Under such legislation, local governments and school districts that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the State Retirement System for certain future rate increases. The Library has not elected to amortize such contributions.

The following chart represents the ERS contributions for each of the last five completed fiscal years.

Fiscal Year Ending	Contribution
2008	$160,764
2009	133,473
2010	139,813
2011	225,801
2012	300,640

Other Post Employment Benefits

The Library provides post-employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-employment healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

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

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

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

As of June 30, 2012, the actuarial accrued liability ("AAL"), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, was approximately $2.6 million. The actuarial value of the Plan's assets was $0, resulting in an unfunded actuarial accrued liability ("UAAL") of $2.6 million. For the fiscal year ending June 30, 2012, the Library's annual OPEB cost was $302,837 and the ARC was $304,145. The Library is on a pay-as-you-go funding basis and paid $66,393 for the fiscal year ending June 30, 2012 resulting in a projected year-end Net OPEB obligation of $688,436.

Should the Library be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Library's finances and could force the Library to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Library to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Library has decided to continue funding the expenditure on a pay-as-you-go basis.

ANNUAL FINANCIAL STATEMENT INFORMATION

The Library's financial statements for the fiscal years ending June 30, 2012 and June 30, 2011, audited by Baldessari & Coster, LLP, Certified Public Accountants (the "Accountants"), are attached as Appendix B to this Official Statement. Financial information of the type that follows is expected to be provided by the Library annually via the filing of the Library's annual financial statements in compliance with Rule l5c2-12 promulgated by the Securities and Exchange Commission.

Revenues and Expenditures

The Library receives most of its revenue from a real property tax levied by the Town on all non-exempt real property situated within the Library District.

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

The Library's budget is created on good faith estimates of revenues and expenses, which estimates may be inaccurate. Below is a summary of the Library's unrestricted revenues and expenses for last five fiscal years. The Library's audited financial statements for the fiscal years ending June 30, 2012 and June 30, 2011 are contained in Appendix B.

Summary of General Fund Revenues and Expenditures
Fiscal Year Ended June 30,

	2008	2009	2010	2011	2012
Revenues:					
Tax revenues	$4,097,260	$4,255,202	$4,281,274	$4,360,907	$4,472,520
Investment income	87,880	36,677	18,730	12,318	10,579
Copier fees	8,872	7,626	7,398	6,904	6,693
New York State Aid	6,659	6,468	5,740	5,507	5,211
Rental fees	1,475	2,186	2,225	1,475	1,450
Miscellaneous income	30,586	36,852	36,028	32,064	36,092
Total Revenues	$4,232,732	$4,345,011	$4,351,395	$4,419,175	$4,532,545
Expenses:					
Salaries	$1,916,908	$1,992,277	$2,093,311	$2,156,250	$2,152,663
Employee benefits	629,471	630,917	684,254	828,415	910,429
Library materials and programs	378,527	382,594	415,757	384,584	333,228
Library operations	239,127	227,932	247,763	244,197	242,078
Building operations	308,351	340,192	299,701	297,608	282,688
Capital outlay	8,697	22,229	22,552	15,971	10,328
Debt Service	567,785	523,368	505,523	500,653	496,765
Total Expenses	$4,048,866	$4,119,509	$4,268,861	$4,427,678	$4,428,179
Excess (deficiency) of revenues over expenses	$ 183,866	$ 225,502	$ 82,534	$ (8,503)	$104,366

Fund Balances

The State's General Municipal Law governs the Library's investment policies. The table below presents the accumulated liquid funds held in the General Fund for each of the fiscal years ending June 30, 2008 through June 30, 2012. The table was prepared from the Library's accounting records, which are maintained on the basis of accounting practices as prescribed by the Uniform System of Accounts for Library Systems mandated by the State of New York.

In accordance with these principles, the Library maintains a General Fund, a Trust and Agency Fund and a Capital Projects Fund. In addition, the Library maintains a General Fixed Asset and General Long Term Debt Group of Accounts which are used to record fixed assets and capital indebtedness not recorded in the asset and liability account of other funds.

General Fund Balance Sheet
as of June 30:

	2008	2009	2010	2011	2012
Assets:					
Cash & Cash Equivalents	$1,329,546	$1,569,525	$1,353,688	$1,351,311	$1,455,741
Prepaid Insurance	12,896	8,108	6,420	7,132	8,498
Other Prepaid Expenses		715		951	782
Other Receivables	734				313
Total Assets	$1,343,176	$1,578,348	$1,360,108	$1,359,394	$1,465,334
Liabilities:					
Accounts Payable	$ 41,029	$ 60,598	$ 76,833	$ 55,923	$ 47,133
Internal Payables	130,906	220,869			
Payroll Payable	36,014	40,174	48,895	57,433	65,964
Other Payables	2,636	4,221	1,126		
NYS Retirement Payable	35,728	31,359	55,504	78,229	86,406
Total Liabilities	$ 246,313	$ 357,221	$ 82,358	$ 191,585	$ 199,503
Fund Balances:					
Unassigned	$1,096,863	$1,221,127	$1,177,750	$1,159,726	$1,256,551
Nonspendable				8,083	9,280
Total Fund Balance	$1,096,863	$1,221,127	$1,177,750	$1,167,809	$1,265,831
Total Liabilities and Fund Balance	$1,343,176	$1,578,348	$1,360,108	$1,359,394	$1,465,334

OPERATING DATA

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

Valuations, Tax Rates and Levies

A summary of valuations and tax rates for the past five years for the Library District is provided below:

Summary of Valuations

Fiscal Year Ending June 30	Assessed Value of Taxable Real Property	State Equalization Rate	Full Valuation
2009	$26,276,445	.76%	$3,457,426,974
2010	26,031,059	.88%	2,958,074,886
2011	26,025,913	.88%	2,957,490,114
2012	25,836,964	.88%	2,936,018,636
2013	25,695,634	.90%	2,855,070,444

Tax Rates Per $1,000 of Assessed Valuation

Year	Library Tax
2009	$161.83
2010	167.40
2011	167.47
2012	173.06
2013	177.21

Property Tax Revenue

Fiscal Year Ended June 30	Total Revenues	Real Property Taxes	Real Property Taxes to Revenues
2008	$4,232,732	$4,097,260	96.8%
2009	4,345,011	4,255,202	97.9
2010	4,351,395	4,281,274	98.4
2011	4,419,175	4,360,907	98.7
2012	4,532,545	4,472,520	98.7
2013 (Adopted Budget)	4,691,650	4,552,650	97.0

Source: Audited Financial Statements of Harborfields Public Library. Fiscal year 2013 are budgeted numbers.

Selected Listing of Largest Taxable Properties

The following is a listing of the ten largest taxable properties in the Library District for 2011-2012:

Largest Taxable Properties

Name	Type	Assessed Value
KeySpan	Public Utility	$ 412,766
Suffolk County IDA c/o Hazeltine Corp.	Electronics	330,500
Long Island Power Authority	Public Utility	263,432
Carillon House Nursing Home	Health Facility	142,500
Village Housing Assoc.	Garden Apartments	107,000
FLV Greenlawn Plaza, LP	Shopping Center	105,000
Verizon	Public Utility	66,014
Shemrock Holdings LLC	Commercial	50,000
NRA II LLC	Office Building	50,000
ISC Park Avenue Corp.	Industrial	45,000
		$1,572,212

The total assessed value of the largest taxable properties listed above represents 6.12% of the Assessed Valuation for the Library District.

Source: Town of Huntington Assessment Rolls

Economic and Demographic Information

The following table sets forth population statistics for the School District, Town of Huntington, Suffolk County and the State of New York.

Population Trends

Year	School District	Town of Huntington	Suffolk County	New York State
1970	20,563	199,485	1,127,030	18,241,266
1980	22,019	201,512	1,284,231	17,558,072
1990	21,045	191,474	1,321,977	17,990,455
2000	18,396	195,289	1,419,369	18,976,457
2010	18,837	203,264	1,511,028	19,378,102

Source: School District Officials' estimates, Long Island Lighting Company, U.S. Census Bureau

Selected Wealth and Income Indicators

Per Capita Income

	2000	2010	% Change
Town of Huntington	$36,390	$46,638	28.16%
Suffolk County	26,577	34,582	30.12%
New York State	23,389	30,011	28.31%

Source: U.S. Department of Commerce, Bureau of the Census

Family Median Income – For the Year 2010
Income Groups - % of Families

	Median Income	Under - $25,000	$25,000 - 49,999	$50,000 - 74,999	$75,000 - 99,999	$100,000 - or More
Town of Huntington	$112,429	5.4%	10.0%	15.2%	11.9%	57.5%
Suffolk County	$ 93,164	12.7%	16.0%	16.8%	15.1%	39.3%
New York State	$ 65,897	17.0%	21.1%	17.7%	13.3%	30.9%

Source: U.S. Department of Commerce, Bureau of the Census

Unemployment Rate Statistics

Unemployment statistics are not available for the Library District as such. The smallest area for which such statistics are available (which includes the Library District) is the Town.

Year	Town of Huntington	Suffolk County	New York State Average
2008	4.5%	5.0%	5.4%
2009	6.5%	7.4%	8.3%
2010	6.8%	7.6%	8.6%
2011	6.3%	7.3%	8.0%
2012	6.6%	7.8%	8.6%

Source: Department of Labor, State of New York.

LITIGATION

There are no suits pending or, to the knowledge of the officers of the Library and members of the Board, threatened against the Library wherein an unfavorable result would have a material adverse effect on the financial condition of the Library or impair the levy and collection of the ad valorem taxes authorized by the April 9, 2002 referendum.

PART 5 - THE REFUNDING PLAN

A portion of the proceeds of the Series 2013 Bonds and other available funds will be used to pay the principal, interest and redemption price of the Refunded Bonds. Such proceeds and other available funds will be sufficient to pay the interest on and the principal and redemption price of the Refunded Bonds coming due on their redemption date, which will be within 90 days of the issuance of the Series 2013 Bonds. Simultaneously with the issuance and delivery of the Series 2013 Bonds, such proceeds and other available funds will be deposited with the trustee under the resolution pursuant to which the Refunded Bonds were issued (the "Series 2003 Resolution"). At the time of such deposits, DASNY will give such trustee irrevocable instructions to give notice of the redemption of the

Refunded Bonds. In the opinion of Hodgson Russ LLP, upon making such deposits with the trustee under the Series 2003 Resolution and the giving of such irrevocable instructions, the Refunded Bonds will, under the terms of the Series 2003 Resolution, be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of DASNY with respect to the Refunded Bonds under the Series 2003 Resolution will be discharged and satisfied.

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds	
Principal Amount of Series 2013 Bonds	$6,090,000
Net Original Issue Premium	445,804
Other Moneys	436,315
Total Sources	$6,972,119
Uses of Funds	
Deposit to Refunding Escrow	$6,538,654
Deposit to Debt Service Fund	168,486
Costs of Issuance[1]	219,060
Underwriter's Discount	45,919
Total Uses	$6,972,119

[1]Includes legal fees, DASNY fee, and other costs related to the issuance of the Series 2013 Bonds.

PART 7 - DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, constituting Titles 4 and 4-B of Article 8 of the Public Authorities Law of the State, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

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

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2013, DASNY had approximately $45 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of Personal Income Tax Revenue Bonds issued by DASNY.

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

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

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

DASNY has a staff of approximately 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 field sites across the State.

Governance

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

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

The current members of DASNY are as follows:

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

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on April 27, 2010. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expired on March 31, 2013 and by law he continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on March 16, 2010. 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 holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expired on March 31, 2013 and by law he continues to serve until a successor shall be chosen and qualified.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of DASNY by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

TIM C. LOFTIS, Esq., Buffalo.

Tim C. Loftis was appointed as a Member of DASNY by the Governor on June 20, 2012. Mr. Loftis is a partner in the Business and Corporate practice group of the law firm Jaeckle Fleischmann & Mugel, LLP. He has experience in business and corporate matters with an emphasis on transactional matters, including domestic and international mergers and acquisitions as well as complex commercial financing transactions. Mr. Loftis holds a Bachelor of Arts degree from the State University of New York at Buffalo and a Juris Doctor degree from Georgetown University Law Center. His term expires on March 31, 2015.

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

Beryl L. Snyder was appointed as a member of DASNY by the Governor on June 15, 2011. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2013.

SANDRA M. SHAPARD, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Roman B. Hedges was appointed as a Member of DASNY by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. He 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 previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. 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.

JOHN B. KING, JR., J.D., Ed.D., *Commissioner of Education of the State of New York,* Slingerlands; *ex-officio.*

John B. King, Jr., was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., *Commissioner of Health*, Albany; *ex-officio*.

Nirav R. Shah, M.D., M.P.H.., was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems-based methods, a leading researcher in use of large scale clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

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

Robert L. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of DASNY. Mr. Williams is responsible for the overall management of DASNY's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior to that, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a public finance practice. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor'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 DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of DASNY. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising DASNY's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 20 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA L. WALLACE is the Managing Director of the Office of Executive Initiatives. Ms. Wallace is responsible for strategic efforts in program development, including maximizing the utilization of Minority and Women Owned Businesses, sustainability, training and marketing, as well as communicating with DASNY's clients, vendors, the public and governmental officials. She has more than 20 years of senior leadership experience in diverse private sector telecommunications businesses and civic organizations. Ms. Wallace holds a Bachelor's Degree from Pepperdine University and a Master's Degree in Public Administration from Columbia University.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2012. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 - LEGALITY OF THE SERIES 2013 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2013 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities of the State may limit the investment of funds of such authorities in the Series 2013 Bonds.

The Series 2013 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 - NEGOTIABLE INSTRUMENTS

The Series 2013 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2013 Resolution.

PART 10 - TAX MATTERS

Opinion of Co-Bond Counsel

In the opinion of Hodgson Russ LLP and Golden Holley James LLP, Co-Bond Counsel, under existing law, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and certifications made by DASNY and the Library described below and compliance with the below mentioned covenants, interest on the Series 2013 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"). Co-Bond Counsel 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 2013 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Co-Bond Counsel are also of the opinion that interest on the Series 2013 Bonds is exempt from personal income taxes of the State of New York and any political subdivision thereof, including The City of New York and the City of Yonkers. Co-Bond Counsel express no opinion regarding any other State of New York or local tax consequences arising with respect to the Series 2013 Bonds nor as to the taxability of the Series 2013 Bonds or the income therefrom under the laws of any state other than the State of New York.

Certain Ongoing Federal Tax Requirements and Covenants

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2013 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2013 Bonds, yield and other restrictions on investments of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements could cause interest on the Series 2013 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013 Bonds, irrespective of the date on which such noncompliance occurs. DASNY has covenanted in the Series 2013 Resolution and the

Library has covenanted in the Loan Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2013 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, DASNY and the Library have made certain representations and certifications in their respective tax certificates relating to the Series 2013 Bonds. Co-Bond Counsel will not independently verify the accuracy of those representations and certifications.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the Series 2013 Bonds under existing statutes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2013 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2013 Bonds.

As noted above, interest on the Series 2013 Bonds may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2013 Bonds may also be taken into account in computing the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 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, financial institutions, 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 carry obligations the interest on which is not included in gross income for federal income tax purposes.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2013 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2013 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Series 2013 Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Co-Bond Counsel further are of the opinion that, for any Series 2013 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2013 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods at least annually, using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment. For example, corporate owners of a Discount Bond should be aware that the accrued OID in each year may result in an alternative minimum tax liability even though such owners have not received a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Original Issue Premium

In general, if an owner acquires a Series 2013 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2013 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2013 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the authorization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to the period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a tax-exempt Premium Bond may realize a taxable gain upon disposition of the tax-exempt Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, or sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2013 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2013 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2013 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Other Impacts

Co-Bond Counsel are 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 mentioned above, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning or disposing of the Series 2013 Bonds.

Changes in Law and Post Issuance Events

The Code has been continuously subject to legislative modifications, amendments and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. Future legislative proposals, if enacted into law, clarifications of the Code or court decisions may cause interest on the Series 2013 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners of the Series 2013 Bonds ("Beneficial Owners") from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarifications of the Code or court decisions may also affect the market price for, or marketability of, the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

The engagement of Co-Bond Counsel with respect to the Series 2013 Bonds ends with the issuance of the Series 2013 Bonds. The Internal Revenue Service has established an active audit program of certain tax-exempt entities and tax-exempt bonds issued by state and local government units. Unless separately engaged, Co-Bond Counsel are not obligated to defend DASNY, the Library or the Beneficial Owners regarding the tax-exempt status of the Series 2013 Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than DASNY, the Library and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions, with which DASNY or the Library legitimately disagrees, may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Series 2013 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2013 Bonds, and may cause DASNY, the Library or the Beneficial Owners to incur significant expense.

Co-Bond Counsel have not undertaken to advise in the future whether any events occurring after the date of issuance and delivery of the Series 2013 Bonds may affect the tax status of interest on the Series 2013 Bonds. Co-Bond Counsel express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2013 Bonds, or the interest thereon, if any action is taken with respect to the Series 2013 Bonds or the proceeds thereof upon the advice or approval of other counsel.

Form of Opinions of Co-Bond Counsel

The form of the approving opinions of Co-Bond Counsel is attached hereto as Appendix E. See "Form of Approving Opinions of Co-Bond Counsel" in APPENDIX E.

PART 11 - STATE NOT LIABLE ON THE SERIES 2013 BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2013 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 - COVENANT BY THE STATE

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

PART 13 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2013 Bonds by DASNY are subject to the approval of Hodgson Russ LLP, Albany, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2013 Bonds. The proposed form of those approving opinions is set forth in Appendix E hereto. Certain legal matters will be passed upon for the Library by its Counsel, Lamb & Barnosky, LLP, Melville, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Gonzalez Saggio & Harlan LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2013 Bonds or questioning or affecting the validity of the Series 2013 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of DASNY to finance the Project in accordance with the provisions of the Act, the Resolution, the Series 2013 Resolution and the Loan Agreement.

PART 14 - UNDERWRITING

Roosevelt & Cross Incorporated has agreed, subject to certain conditions, to purchase the Series 2013 Bonds from DASNY at an aggregate purchase price of $6,489,885.70, which represents the par amount of the Series 2013 Bonds, plus net original premium of $445,804.30, less the Underwriter's discount of $45,918.60, and to make a public offering of Series 2013 Bonds at prices that are not in excess of the public offering prices stated on the cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2013 Bonds if any are purchased.

The Series 2013 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

PART 15 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to DASNY its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by DASNY and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Investment Securities deposited with the trustees under the resolutions pursuant to which the Refunded Bonds were issued to pay the redemption price of and interest coming due on the Refunded Bonds on the redemption date or respective redemption dates as described in "PART 5 - THE REFUNDING PLAN." Causey Demgen & Moore P.C. will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2013 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2013 Bonds from gross income for federal income tax purposes.

PART 16 - CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the Library has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification, L.L.C. ("DAC"), on behalf of DASNY as DASNY's disclosure dissemination agent, on or before 120 days after the end of each fiscal year, commencing with the fiscal year of the Library ending June 30, 2013, for filing by DASNY with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 4 - THE LIBRARY" of this Official Statement (the "Annual Information"), together with the Library's 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 auditing standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Library, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Library and DASNY, to file such information and financial statements promptly upon receipt of the information by DAC from the Library, with the MSRB.

The Library also will undertake in the Continuing Disclosure Agreement to provide to DASNY, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). Upon receipt of the Notices from the Library or DASNY, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2013 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent DASNY or the Library has provided such information to DAC as provided in the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the Library or DASNY and shall not be deemed to be acting in any fiduciary capacity for DASNY, the Library, the Holders of the Series 2013 Bonds or any other party. DAC has no responsibility for the failure of the Library to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether DASNY or the Library has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of DASNY or the Library with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as DASNY's disclosure dissemination agent terminate, DASNY will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information means annual information concerning the Library which consists of financial and operating data of the type included in this Official Statement for the Library, which shall include information as described in "PART 4 - THE LIBRARY" under the headings "ANNUAL FINANCIAL STATEMENT INFORMATION" (unless such information is included in the audited financial statements of the Library) and "OPERATING DATA," relating to valuations and tax rates similar to that set forth in the tables with headings, "Summary of Valuations" and "Tax Rates per $1,000 of Assessed Valuation"; together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning the Library.

The Notices include notices of any of the following events (each, a "Notice Event") with respect to the Series 2013 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, IRS notices or events affecting the tax-exempt status of the Series 2013 Bonds; (7) modifications to the rights of Holders of the Series 2013 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2013 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Library; (14) merger, consolidation or acquisition of the Library, if material; (15) appointment of a successor or additional trustee or the change of name of a trustee, if material; and (16) failure to provide annual financial information as required. In addition, DAC will undertake, for the benefit of the Holders of the Series 2013 Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Library to provide the Annual Information and Audited Financial Statements by the date required in the Library's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Library, the Trustee and/or DASNY, and no person, including any Holder of the Series 2013 Bonds, may recover monetary damages thereunder under any circumstances. DASNY or the Library 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 2013 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2013 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2013 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2013 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2013 Resolution, or the Loan Agreement. 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 Continuing Disclosure Agreement may be amended or modified without consent of the Holders of the Series 2013 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2013 Bonds will be on file at the principal office of DASNY.

PART 17 - RATING

Moody's Investors Service ("Moody's") has assigned a rating of "Aa2" to the Series 2013 Bonds. Such rating reflects only the view of such rating agency and any desired explanation of the significance of such rating or any outlook or other statement with respect thereto should be obtained from the rating agency at the following address: Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2013 Bonds.

PART 18 - MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2013 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2013 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2013 Resolution and the Loan Agreement are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2013 Bonds are fully set forth in the Resolution and the Series 2013 Resolution. Neither any advertisement of the Series 2013 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2013 Bonds.

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

The information regarding the Library, the Project and the Refunding Plan was supplied by the Library. DASNY believes that this information is reliable, but DASNY makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

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

"Appendix A - Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Form of Approving Opinions of Co-Bond Counsel" have been prepared by Hodgson Russ LLP, Albany, New York, and Golden Holley James, LLP, New York, New York, Co-Bond Counsel.

"Appendix B - Audited Financial Statements of Harborfields Public Library" contains certain audited financial statements of the Library for the years ended June 30, 2011 and June 30, 2012 and the report of the Library's independent auditors, Baldessari & Coster, LLP, certified public accountants, on such financial statements.

The Library has reviewed the parts of this Official Statement describing the Library, the Project, the Refunding Plan, the Estimated Sources and Uses of Funds and Appendix B hereto. The Library shall certify as of the dates of sale and delivery of the Series 2013 Bonds that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

By: /s/ Paul T. Williams, Jr.
Authorized Officer

DEFINITIONS

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DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Collection Agreement means the Tax Pledge and Collection Agreement dated as of the date of issuance of the Series 2013 Bonds, or any other agreement, by and among the Institution, the Town of Huntington, the Trustee and the Authority executed in connection with the issuance of a Series of Bonds, as the same shall have been amended, supplemented or otherwise modified.

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

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

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

Cost or *Costs of the Project* means costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of a Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of a Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds of a Series prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of a Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant the Resolution or to the applicable Loan Agreement or Mortgage. In connection with the issuance of Bonds to refund obligations of the Authority issued to make loans to the Institution for Costs of a Project, "Cost of a Project" includes amounts required to effect, and costs and expenses of, such refunding.

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

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

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

(i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;

(ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;

(iii) the Government National Mortgage Association or any successor thereto;

(iv) the Federal National Mortgage Association or any successor thereto; or

(v) any other federal agency or instrumentality approved by the Authority.

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

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

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

Defeasance Security means:

(i) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligation;

(ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and

(iii) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in the highest rating category for such Exempt Obligation;

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

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

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

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

Exempt Obligation means:

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

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

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

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

Federal Agency Obligation means:

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

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

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

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

Government Obligation means:

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

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

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

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

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

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

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

Institution means the Harborfields Public Library, located in the Town of Huntington, County of Suffolk, New York, a public library duly incorporated and existing under the laws of the State of New York, established under Section 255 of the Education Law of the State of New York and chartered by the Board of Regents.

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

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

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

Library District means an area of the Town of Huntington, New York coterminous with portion of the Harborfields Central School District located in the Town of Huntington, New York.

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

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

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

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

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

(i) any Bond canceled by the Trustee at or before such date;

(ii) any Bond deemed to have been paid in accordance with the Resolution; and

(iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution.

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

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

Permitted Collateral means:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligation:

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligation;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;

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

(v) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category.

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

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

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

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

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

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

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

Permitted Investments means:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

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

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

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

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

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

(ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a–7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, in the highest short term rating category by at least one Rating Service.

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

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

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

Project Levy means the Public Funds authorized to be paid to the Institution by referendum of the qualified voters of the Library District approved on such date or dates and in an aggregate annual amount not less than the aggregate Maximum Annual Debt Service on all Series of Bonds issued pursuant to the Resolution and then Outstanding, which in the case of the Series 2013 Bonds shall mean the referendum of the qualified voters of the Library District approved on April 9, 2002 in an annual amount not to exceed $575,000.00.

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

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

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

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

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

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

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

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

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

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

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

Refunded Bonds means all or any portion of the Authority's Harborfields Public Library Insured Revenue Bonds, Series 2003, as determined by an authorized officer of the Authority pursuant to the Series 2013 Resolution.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to Section 2.04 of the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

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

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

Resolution means the Harborfields Public Library Revenue Bond Resolution, adopted March 13, 2013, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution.

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

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

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

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

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

Series 2013 Bonds means the Authority's Harborfields Public Library Revenue Bonds, Series 2013 authorized by the Series 2013 Resolution.

Series 2013 Resolution means the Authority's Series Resolution Authorizing Up To $7,000,000 Harborfields Public Library Revenue Bonds, Series 2013, adopted March 13, 2013, as the same may be amended, supplemented or otherwise modified from time to time.

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

State means the State of New York.

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

Tax Certificate means the Tax Compliance Agreement of the Authority and the Institution, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Bonds in which the Authority and the Institution make representations and agreements as to arbitrage and compliance with the applicable provisions of Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, or any similar certificate, agreement or other instrument made, executed and delivered in lieu thereof, in each case as the same may be amended or supplemented.

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

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

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AUDITED FINANCIAL STATEMENTS OF
HARBORFIELDS PUBLIC LIBRARY

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HARBORFIELDS PUBLIC LIBRARY

FINANCIAL REPORT
WITH ADDITIONAL INFORMATION

JUNE 30, 2012

BALDESSARI & COSTER LLP

HARBORFIELDS PUBLIC LIBRARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Harborfields Public Library
31 Broadway
Greenlawn, New York 11740

We have audited the accompanying basic financial statements of the Harborfields Public Library as of and for the year ended June 30, 2012, as listed in the table of contents. These basic financial statements are the responsibility of the Harborfields Public Library management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Harborfields Public Library, as of June 30, 2012, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Harborfields Public Library. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Harborfields Public Library. We did not examine this data and, accordingly, do not express an opinion thereon.

Baldessari & Coster LLP
Certified Public Accountants

July 31, 2012

BALDESSARI & COSTER LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

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 information that presents two different views of the Library:

- The first five columns of these financial statements include information on the Library's funds under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

  The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

- The *government-wide financial statement* columns provide both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Condensed Financial Information:

The table below compares key financial information in a condensed format between the current year and the prior year, in thousands of dollars:

	June 30, 2012	June 30, 2011	Increase (Decrease)
Current assets	$ 2,659	$ 2,564	$ 95
Capital assets	8,399	8,679	(280)
Total Assets	11,058	11,243	(185)
Long-term debt	7,382	7,352	30
Other liabilities	343	338	5
Total Liabilities	7,725	7,690	35
Net Assets:			
Invested in capital assets, net of debt	1,651	1,732	(81)
Restricted	593	585	8
Unrestricted	1,089	1,236	(147)
Total Net Assets	$ 3,333	$ 3,553	$ (220)
Revenue:			
District taxes	$ 4,473	$ 4,361	$ 112
Interest income	14	17	(3)
Other revenue	58	45	13
Total Revenue	4,545	4,423	122
Expenses - Library Services	4,765	4,782	(17)
Change in net assets	(220)	(359)	139
Net assets - beginning of year	3,553	3,912	(359)
Net Assets - End of Year	$ 3,333	$ 3,553	$ (220)

The Library As A Whole

- The Library's net assets decreased by $220,965 this year. The most significant reason for this decrease was the recognition of the expenses related to post-employment health insurance costs required to be recorded in accordance with Governmental Accounting Standards Board Statement No. 45.
- The Library's primary source of revenue is from property tax related items, which represents 98 percent of total revenue. In the prior year property tax related items represented 99 percent of total revenue.
- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 69 percent of the Library's total expenses (as per the Statement of Activities). This is an increase over the previous year when salaries and benefits represented 67 percent of total expenses.

The Library Funds:

Our analyses of the Library's funds are included in the first five columns of pages 9 through 12 on the respective statements. The fund columns provide detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. Currently the Library's funds consist of the General Fund, the Capital Fund, the Gift Fund and the Debt Service Fund.

Budgetary Highlights:

The following are explanations for the significant variations between the Library's final budget and the actual results of the General Fund:

- In total, the $69,623 unfavorable budget variance for Library revenues is not significantly different from the $60,000 revenue shortfall that it had anticipated when it approved funding its 2011/2012 budget with transfers from its debt service reserves. However, on an individual budget line basis, interest income was lower than expected due to the significant decline in interest rates.
- The health insurance budget line was over spent because two of the Library employees who had individual health coverage opted for family coverage.
- The book budget line was under spent because many of the items that were purchased in an electronic format were not duplicated in the print format.

Budgetary Highlights: (continued)

- The audio books and music CD's budget line was under spent by $4,066. Due to the increased ability of patrons to download material, the Library has reduced its purchasing of audio recordings.
- The budget line for postage was under spent. The Library attributes this to fewer mailings. More items are now sent via email, scanned or faxed instead.
- The budget line for contingency was under spent because the Library did not have any unexpected emergency expenditures.
- The budget line for utilities was under spent partially because the library had expected higher rate increases, and partially because of the mild winter.
- The budget line for building repair and maintenance was over spent because of unexpected HVAC repairs that were required.
- The capital outlay budget section was over spent due to the creation of additional independent work areas in the Reference Room. As a result, there was an electrical upgrade, installation of data lines and the purchase of additional furniture.

Capital Assets:

During the fiscal year ending June 30, 2012 the Library purchased $34,606 of fixed assets (capital outlay). Although the purchases were for a variety of items, the majority were for computers, a mowing tractor and furniture. The Library also discarded broken or obsolete furniture and equipment with an original cost of $26,800.

Debt Administration:

Long term debt consists of bonds payable, the liability the Library has is to its employees for unused vacation time (compensated absences) and its obligation for other post-employment benefits. During the fiscal year ending June 30, 2012 the Library made a principal payment of $195,000 on the bond reducing the liability from $6,800,000 to $6,605,000. The liability for compensated absences at June 30, 2012 was $88,195. This represents a decrease of $11,730 from the previous year. The obligation for other post-employment benefits at June 30, 2012 was $688,436. This represents an increase of $236,444 from the previous year.

Currently Known Conditions:

The Library budget vote for the 2012-2013 fiscal year was approved by the taxpayers. The anticipated tax revenues will be $4,552,650. This represents a 1.79% tax increase over the 2011-2012 fiscal year.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2012

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Net Assets
Assets:							
Cash and cash equivalents:							
Checking	$ 1,454,991	$ 585,841	$ 15,066	$ 244,830	$ 2,300,728	$	$ 2,300,728
Held in escrow - Dormitory Authority of the State of New York				347,989	347,989		347,989
Petty cash	750				750		750
Total cash and cash equivalents	1,455,741	585,841	15,066	592,819	2,649,467	0	2,649,467
Prepaid insurance	8,498				8,498		8,498
Other prepaid expense	782				782		782
Other receivable	313				313		313
Capital assets, net of accumulated depreciation (note 4)						8,398,637	8,398,637
Total Assets	$ 1,465,334	$ 585,841	$ 15,066	$ 592,819	$ 2,659,060	$ 8,398,637	$ 11,057,697

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2012

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Net Assets
Liabilities:							
Accounts payable (note 5)	$ 47,133	$	$ 1,131	$	$ 48,264	$	$ 48,264
Payroll payable	65,964				65,964		65,964
N.Y.S. retirement payable	86,406				86,406		86,406
Bond interest payable						142,918	142,918
Non-current liabilities:							
Compensated absences payable						88,195	88,195
Obligation for other post-employment benefits						688,436	688,436
Bonds payable, within one year						205,000	205,000
Bonds payable, due after one year						6,400,000	6,400,000
Total Liabilities	199,503	0	1,131	0	200,634	7,524,549	7,725,183
Fund Balances/Net Assets:							
Unassigned	1,256,551				1,256,551	(1,256,551)	
Assigned		67,065	6,045		73,110	(73,110)	
Committed for specific purposes		518,776	7,890		526,666	(526,666)	
Restricted for debt service				592,819	592,819	(592,819)	
Nonspendable - prepaid amounts	9,280				9,280	(9,280)	
Total Fund Balances	1,265,831	585,841	13,935	592,819	2,458,426	(2,458,426)	
Total Liabilities and Fund Balances	$ 1,465,334	$ 585,841	$ 15,066	$ 592,819	$ 2,659,060		
Net Assets:							
Invested in capital assets, net of related debt						1,650,719	1,650,719
Restricted for debt service						592,819	592,819
Unrestricted						1,088,976	1,088,976
Total Net Assets						$ 3,332,514	$ 3,332,514

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Activities
Revenues:							
Tax revenues	$ 4,472,520	$	$	$	$ 4,472,520	$	$ 4,472,520
Investment income	10,579	2,459	9	1,080	14,127		14,127
Gifts and donations			8,330		8,330		8,330
Copier fees	6,693				6,693		6,693
New York State Aid (LLSA and other)	5,211				5,211		5,211
Rental fees	1,450				1,450		1,450
Miscellaneous income	36,092				36,092		36,092
Total Revenues	$ 4,532,545	$ 2,459	$ 8,339	$ 1,080	$ 4,544,423	$ 0	$ 4,544,423

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Activities
Expenditures/Expenses for Library Services:							
Salaries	$ 2,152,663	$	$	$	$ 2,152,663	$ (10,896)	$ 2,141,767
Employee benefits	910,429				910,429	235,610	1,146,039
Library materials and programs	333,228		1,234		334,462		334,462
Library operations	242,078				242,078		242,078
Building operations	282,688	5,335			288,023		288,023
Capital outlay	10,328	15,943	8,335		34,606	(34,606)	
Depreciation						314,910	314,910
Debt service:							
Principal	195,000				195,000	(195,000)	
Interest	298,462				298,462	(3,656)	294,806
Administrative fees	3,303				3,303		3,303
Total Expenditures/Expenses	4,428,179	21,278	9,569	0	4,459,026	306,362	4,765,388
Excess (Deficiency) Of Revenues Over Expenditures	104,366	(18,819)	(1,230)	1,080	85,397	(306,362)	
Other Financing Sources/Uses:							
Net transfers- internal activities	(6,344)			6,344	0		
Excess (Deficiency) Of Revenues And Transfers In Over Expenditures	98,022	(18,819)	(1,230)	7,424	85,397	(85,397)	
Change In Net Assets						(220,965)	(220,965)
Fund balance/net assets- beginning of year	1,167,809	604,660	15,165	585,395	2,373,029	1,183,198	3,553,479
Fund Balance/Net Assets- End Of Year	$ 1,265,831	$ 585,841	$ 13,935	$ 592,819	$ 2,458,426	$ 876,836	$ 3,332,514

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of Harborfields Public Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Accordingly, in June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments.* Some of the significant changes in the statement include the following:

- A management's Discussion and Analysis section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

The following is a summary of the significant accounting policies:

A. **Reporting Entity:** The Harborfields Public Library coordinates the raising of its real estate tax revenues with the Harborfields Central School District. The Board of Trustees is responsible for the approval of the annual budget and oversight of the Library management's control and disbursement of funds and maintenance of assets. The Library's management is solely responsible for day-to-day operations.

B. **Management Focus, Basis of Accounting and Financial Statement Presentation:** The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-Wide Financial Statements: The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Net Assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

NOTE 1: Summary of Significant Accounting Policies (continued)

B. Management Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Fund Financial Statements: Governmental fund financial statements are reported using the modified accrual basis of accounting prescribed by the Governmental Accounting Standards Board and the State of New York's Department of Audit and Control, Division of Municipal Affairs. Under this method, revenues are recognized in the period in which they become both measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after fiscal year end, except for real property taxes, which are considered to be available if they are collected within sixty days after the end of the fiscal year. Fees and other income items other than interest income are recorded when received in cash. Expenditures are recognized in the period in which the liability is incurred. However, debt service expenditures, if applicable, are recorded only when a payment is due.

The Library reports on the following fund:

General Fund: This fund is established to account for resources devoted to the general services that the Library performs for its taxpayers. General tax revenues and other sources of revenues used to finance the fundamental operation of the Library are included in this fund.

Capital Fund: This fund is established to account for resources devoted to construction and renovation of the Library.

Gift Fund: This fund is established to account for resources donated to the Library.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt and interest.

C. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

NOTE 1: Summary of Significant Accounting Policies (continued)

D. **Capital Assets:** Capital assets are defined by the Library as assets with an initial cost of $500 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. 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. Library books and materials are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Furniture	7 years
Building and building improvements	40 years

E. **Fund Balance Classifications:** The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* that defines the different types of fund balances that a governmental entity must use for financial reporting purposes. They are as follows:

Nonspendable: This includes amounts that cannot be spent because they are either not in spendable form (i.e. inventories, prepaid expenses, etc.) or they are legally or contractually required to be maintained intact.

Restricted: This includes amounts with constraints placed on the use of resources. These constraints can be externally imposed by creditors, grantors, contributors, or imposed by laws and regulations.

Committed: This includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library's Board. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned: This includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. The Library Board is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.

Unassigned: This includes the residual classification for the Library's general fund. This classification represents fund balance that has not been assigned to other funds, assigned for specific purposes, restricted, or committed.

NOTE 1: Summary of Significant Accounting Policies (continued)

F. **Use of Restricted/Unrestricted Net Assets:** When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net assets first.

G. **Interfund Transactions:** The operations of the Library include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Library typically loans resources between funds for cash flow purposes. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted General Fund revenues to finance various expenditures that the Library must account for in other funds in accordance with budgetary authorizations.

NOTE 2: Cash and Cash Equivalents

The Library has defined cash and cash equivalents to include demand deposits, and short-term investments with a maturity of three months or less. Cash in excess of current operating needs is invested in interest bearing.

NOTE 3: Concentration of Credit Risk

The Library maintains all of its cash balances at one bank. At year end, the Library's carrying amount of deposits was $2,300,728 (excludes $750 in petty cash and $347,989 held in escrow – Dormitory Authority of the State of New York) and the bank balance was $2,386,924. Of the bank balance, $363,393 was covered by federal depository insurance. The remaining balance of $2,023,531 was covered by collateral held by the Library's agent.

NOTE 4: Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance as of 7/1/2011	Additions	Deletions	Balance as of 6/30/2012
Assets not being depreciated:				
Land	$ 1	$ 0	$ 0	$ 1
Other Capital Assets:				
Land improvements	38,900		0	38,900
Building and improvements	10,324,718	4,184	0	10,328,902
Furniture and equipment	837,897	30,422	(26,800)	841,519
Total	11,201,516	34,606	(26,800)	11,209,322
Accumulated depreciation	(2,522,575)	(314,910)	26,800	(2,810,685)
Net Book Value	$ 8,678,941	$ (280,304)	$ 0	$ 8,398,637

NOTE 5: Accounts Payable

Accounts payable consisted of unpaid invoices at June 30, 2012.

NOTE 6: Compensated Absences Payable

The Library has an accumulated liability as of June 30, 2012 for unused vacation pay amounting to $88,195. This is a decrease of $11,730 from the June 30, 2011 balance of $99,925. No portion of this liability is expected to be paid within one year.

NOTE 7: Tax Anticipation Note

During the fiscal year the School District borrowed funds in order to advance the Library some of their tax revenues in anticipation of their collection by the School District. The Library had requested $2,800,000 all of which had been repaid by the end of the fiscal year. The School District charged $8,969 interest to the Library. This was an effective interest rate of 0.395%.

NOTE 8: Bonds Payable

The Library financed its recent expansion and renovation project with an $8,000,000 bond issue dated March 31, 2003. The bonds, which were issued by the Dormitory Authority of the State of New York, are payable until July 1, 2032 and have an interest rate that increases from 3.5% to 4.625% over their term. As of June 30, 2012, $6,605,000 remained payable. Future payments are due each year as follows:

Fiscal Year End	Principal Payments	Interest Payments	Total Payments
2013	$ 205,000	$ 281,992	$ 486,992
2014	210,000	274,211	484,211
2015	220,000	266,149	486,149
2016	230,000	257,711	487,711
2017	235,000	248,846	483,846
2018-2022	1,330,000	1,090,568	2,420,568
2023-2027	1,650,000	770,209	2,420,209
2028-2032	2,055,000	353,863	2,408,863
2033	470,000	10,869	480,869
Total	$6,605,000	$3,554,418	$10,159,418

NOTE 9: Long Term Debt

The following is a summary of changes in long-term debt for the period ended June 30, 2012:

					Non-current liabilities	
	Balance 7/1/2011	Increases	Reductions	Balance 6/30/2012	Due within one year	Due after one year
Compensated absences	$ 99,925	$	$ 11,730	$ 88,195	$ 0	$ 88,195
T.A.N. payable	0	2,800,000	2,800,000	0	0	0
Gen'l obligation bonds	6,800,000	0	195,000	6,605,000	205,000	6,400,000
Other post-employment benefits payable	451,992	236,444	0	688,436	0	688,436
	$ 7,351,917	$ 3,036,444	$ 3,006,730	$ 7,381,631	$ 205,000	$ 7,176,631

NOTE 10: Fund Balances Committed For Specific Purposes:

A summary of changes in committed funds for the year ending June 30, 2012 is as follows:

	Balance as of 7/1/2011	Funds Committed (Uncommitted)	Funds Expended	Balance as of 6/30/2012
Funds Committed For:				
Capital Fund:				
Building improvement	$ 468,760	$	$	$ 468,760
Equipment replacement	38,855			38,855
Roof	16,496		(5,335)	11,161
Gift Fund:				
Summer Reading Club	7,890			7,890
Total	$ 532,001	$ 0	$ (5,335)	$ 526,666

NOTE 11: Commitments and Contingencies

The Library leases four pieces of office equipment. For the fiscal year ending June 30, 2012 the Library made lease payments of $11,075.

The future minimum lease commitment is detailed as follows:

Year Ending June 30,	Total
2013	$ 26,087
2014	20,248
2015	2,580
2016	0
Total	$ 48,915

NOTE 12: Retirement Plan

A. General Information: The Harborfields Public Library contributes to the New York State and Local Employees' Retirement System (ERS). The Retirement System is a cost sharing multiple employer defined benefit pension plan. The Retirement System provides retirement benefits, as well as death and disability benefits.

B. Plan Description: The ERS is established pursuant to the New York State Retirement and Social Security Law, to provide benefits for the state and local governments and their employees. The State Constitution guarantees ERS plan benefits.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

C. Funding Policy: The Retirement System is noncontributory except for: 1) employees who joined the Retirement System between July 27, 1976 and December 31, 2009, and have less than ten years of service, who contribute 3% of their salary, and 2) employees who joined the Retirement System after December 31, 2009 who contribute 3% of their salary in perpetuity. Under the Authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library is required to contribute annually at an actuarially determined rate. The required contribution for the current year end was $300,640, for 2011 it was $225,801 and for 2010 it was $139,813.

The actual contributions made to the Retirement System were equal to 100% of the contribution required for each year.

NOTE 13: Post-employment Benefits Other Than Pensions

A. **Plan Description:** The New York State Department of Civil Service (DCS) administers the New York Health Insurance Program (NYSHIP) which provides health insurance to current and retired employees of New York State, and participating public authorities and local governmental units, such as the Harborfields Public Library. NYSHIP offers comprehensive hospital, medical and prescription drug benefits. As administrator of NYSHIP, the DCS performs all administrative tasks and has the authority to establish and amend the benefit provisions offered. Annual benefit premiums charged to and paid by participating local governmental entities are generally the same, regardless of each individual employer's risk profile. The annual benefit premiums collected by DCS are then remitted to the health insurance carriers that comprise NYSHIP. NYSHIP is considered an agent multiple-employer defined benefit plan, it is not a separate entity or trust, and does not issue stand-alone financial statements. The Library, as a participant in the plan, recognizes these postemployment benefits on an accrual basis.

B. **Funding Policy:** Contribution requirements are determined by the Library Board. Currently, the Library will pay the following share of the individual and family policy premiums based upon the retiree's length of service:

Years Of Service	% Of Premium Paid By Library	
	Individual	Family
15	90%	75%
12	75%	50%
8	50%	35%

For the year ending June 30, 2012, the Library recognized the cost of providing health insurance by recording its share of retiree insurance premiums of $59,959 as an expenditure in the General Fund. Harborfields Public Library also reimburses retired employees and their spouses the full cost of Medicare deducted from their Social Security benefits, which amounted to $12,061. The retiree's share of premiums for health insurance is withheld from their monthly NYS retirement pension payment.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

B. **Funding Policy: (Continued)** The calculation of the liability was based upon the 2009 annual medical premiums of:

	Individual	Family	Family With Two Medicare Participants	Family With One Medicare Participant
Empire	$ 7,183	$ 15,386		
Empire Medicare	$ 4,311		$ 9,641	$ 12,514

C. **Annual OPEB Cost and Net OPEB Obligation:** The Library's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the "annual required contribution of the employer (ARC). The Library has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation to the Retiree Health Plan:

Annual required contribution & OPEB cost	$ 304,145
Interest on net OPEB obligation	18,080
Adjustment to annual required contribution	(19,388)
Annual OPEB cost (expense)	302,837
Contributions made	(66,393)
Increase in net OPEB obligation	236,444
Net OPEB obligation - beginning of year	451,992
Net OPEB obligation - end of year	$ 688,436

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

C. **Annual OPEB Cost and Net OPEB Obligation: (Continued)** The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2010, June 30, 2011 and June 30, 2012 is as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % Of Payroll
6/30/2010	$ 271,282	17.70%	$ 223,214	$ 1,476,660	18.40%
6/30/2011	$ 286,950	20.30%	$ 451,993	$ 1,513,577	19.00%
6/30/2012	$ 302,837	21.90%	$ 688,436	$ 1,551,416	19.50%

D. **Funded Status and Funded Progress:** As of June 30, 2012, the actuarial accrued liability for benefits based upon the valuation date of July 1, 2009 was $2,621,378, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,551,416, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 168.97 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information as time passes about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Funding interest rate – An interest rate of 4% was used.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Mortality – Life expectancies were based on the RP2000 Mortality Table with sex distinct rates and with generational mortality improvements projected using the AA table projection rates.

Participation rate – It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Retirement rates:

Age	Rate
55-59	3.0%
60-64	9.0%
65-69	12.0%
70-79	20.0%
80+	100.0%

Termination rates – The following rates from Table 1, paragraph 35 of Government Accounting Standard no. 45 were used.

Age	Rate
20	7.79%
25	6.78%
30	4.66%
35	3.19%
40	2.21%
45	1.59%
50+	0.00%

Participant salary increases – 3.50% annually.

Payroll growth rate – 2.50% annually.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Healthcare cost trend rates – It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Rates
2009	9.0%
2010	8.0%
2011	7.0%
2012	6.0%
2013	5.5%
2014	5.0%

Percent married – It was assumed that 65% of the male and 25% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Actuarial value of assets – N/A

Per capita claims cost – Are based on the premium levels of the plan provisions in section B. The premiums paid by the Library are independent of the Library's experience and demographic profile, and are expected to change consistent with a community rated plan. Thus, we have applied the premiums with no additional adjustments other than future trend increases.

Administrative expenses – Included in premiums used.

Actuarial Cost Method – An actuarial cost method develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

F. Methods and Assumptions: (Continued)

The Entry Age Normal Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between hire age and assumed exit age(s). The portion of the Actuarial Present Value allocated to the valuation year is called the Normal Cost. The portion of the Actuarial Present Value not provided for as of the valuation date by the Actuarial Present Value of Future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability has been determined as a level percentage of the projected payroll of active plan members. At each valuation, a new amortization base is created equal to the excess of the unfunded actuarial accrued liability over the remaining balances of prior amortization bases. The new base is amortized over 27 years. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

NOTE 14: Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental funds differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance- Modified Accrual Basis	$ 2,458,426
Amounts reported in the statement of net assets are different because:	
• Capital assets are not financial resources, and are not reported in the funds	8,398,637
• Bonds payable in future periods are not reported in the funds	(6,605,000)
• Bond interest payable is not recorded in the funds	(142,918)
• Compensated absences, not anticipated to be paid within the next twelve months, are included as a liability	(88,195)
• Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds	(688,436)
Total Net Assets- Full Accrual Basis	$ 3,332,514
Net Change in Fund Balance-Modified Accrual Basis	$ 85,397
Amounts reported in the statement of activities are different because:	
• Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	34,606
Depreciation expense	(314,910)
• (Increase)/decrease in the accruals for items reported as an expenditure in the statements of activities, not in the fund statements:	
Compensated absences	11,730
Post-employment health costs	(236,444)
Interest on bonds payable	3,656
• Repayments of principal on bonds payable are not an expense in the statement of activities, rather a reduction of the liability	195,000
Change In Net Assets-Full Accrual Basis	$ (220,965)

HARBORFIELDS PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues:				
Tax Revenues:				
Harborfields Central School District	$ 4,472,468	$ 4,472,468	$ 4,472,520	$ 52
Operating Revenue:				
Interest income	20,000	20,000	10,579	(9,421)
Copier fees	7,000	7,000	6,693	(307)
New York State Incentive Aid	5,500	5,500	5,211	(289)
Rental fees	2,200	2,200	1,450	(750)
Miscellaneous (includes video fines and fees of $16,503)	35,000	35,000	36,092	1,092
Total Operating Revenue	69,700	69,700	60,025	(9,675)
Non-Operating Revenue:				
Transfer from debt service reserve	60,000	60,000	0	(60,000)
Total Revenues	$ 4,602,168	$ 4,602,168	$ 4,532,545	$ (69,623)
Expenditures:				
Salaries:				
Salaries - Professional	$ 1,013,614	$ 1,013,614	$ 1,024,245	$ (10,631)
Salaries - Clerical	726,169	726,169	709,450	16,719
Salaries - Page	169,280	169,280	154,975	14,305
Salaries - Custodial	250,070	250,070	225,542	24,528
Salaries - Security	40,735	40,735	38,451	2,284
Total Salaries	2,199,868	2,199,868	2,152,663	47,205
Employee Benefits:				
N.Y.S. retirement	318,000	318,000	308,818	9,182
Social Security	165,000	165,000	160,293	4,707
Workers' compensation	15,000	15,000	16,835	(1,835)
Unemployment insurance	4,000	4,000	3,640	360
Disability	7,500	7,500	8,329	(829)
Health insurance	390,000	390,000	412,514	(22,514)
Total Employee Benefits	$ 899,500	$ 899,500	$ 910,429	$ (10,929)

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

HARBORFIELDS PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Library Materials and Programs:				
Books	$ 198,000	$ 198,000	$ 162,386	$ 35,614
Online reference	45,000	45,000	37,344	7,656
Audio books & music CD's	20,250	20,250	16,184	4,066
DVD's	36,300	36,300	32,989	3,311
Programs	54,150	54,150	53,065	1,085
Microfilm	175	175	0	175
Periodicals	22,000	22,000	23,585	(1,585)
Non-book materials	900	900	642	258
Bookbinding	175	175	0	175
Other library materials	750	750	750	0
Computer software	10,000	10,000	6,283	3,717
Total Library Materials and Programs	387,700	387,700	333,228	54,472
Library Operations:				
Office & library supplies	32,000	32,000	30,748	1,252
Telecommunications	22,000	22,000	22,050	(50)
Postage	20,000	20,000	8,842	11,158
Printing and public relations	37,000	37,000	35,431	1,569
Professional fees - legal	6,500	6,500	5,520	980
Professional fees - other	18,000	18,000	19,186	(1,186)
Equipment repair and rental contracts	12,000	12,000	12,122	(122)
Copiers	16,000	16,000	18,381	(2,381)
Contracts with private firms	22,500	22,500	21,040	1,460
Contracts with other libraries (SCLS)	43,000	43,000	43,999	(999)
Conferences and travel	12,000	12,000	10,412	1,588
Elections	6,000	6,000	5,360	640
Dues	2,600	2,600	1,733	867
MTA payroll tax	10,000	10,000	7,254	2,746
Contingency / miscellaneous	25,000	25,000	0	25,000
Total Library Operations	$ 284,600	$ 284,600	$ 242,078	$ 42,522

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

HARBORFIELDS PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Building Operations:				
Utilities	$ 205,000	$ 205,000	$ 163,232	$ 41,768
Building repair and maintenance	15,750	15,750	19,822	(4,072)
Insurance	51,250	51,250	49,393	1,857
Building service contracts	40,000	40,000	36,654	3,346
Custodial supplies	14,000	14,000	13,587	413
Total Building Operations	326,000	326,000	282,688	43,312
Capital Outlay:				
Building improvement	0	0	2,864	(2,864)
Library and AV equipment	500	500	700	(200)
Computer equipment	3,500	3,500	3,545	(45)
Furniture	500	500	3,219	(2,719)
Total Capital Outlay	4,500	4,500	10,328	(5,828)
Debt Service:				
Principal			195,000	
Interest - Bonds			289,493	
Interest - tax anticipation note			8,969	
Administrative fees			3,303	
Total Debt Service	500,000	500,000	496,765	3,235
Total Expenditures	4,602,168	4,602,168	4,428,179	173,989
Excess of Expenditures Over Revenues	0	0	104,366	104,366
Other Financing Sources (Uses):				
Transfer to the Debt Service Fund			(6,344)	
Total Other Financing Sources (Uses)	0	0	(6,344)	(6,344)
Excess Of Expenditures And Other Financing Uses Over Revenues	0	0	98,022	98,022
Budgetary fund balance- beginning of year	1,167,809	1,167,809	1,167,809	1,167,809
Budgetary Fund Balance- End Of Year	$ 1,167,809	$ 1,167,809	$ 1,265,831	$ 1,265,831

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

HARBORFIELDS PUBLIC LIBRARY
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (d)	UAAL as a percentage of Covered Payroll ((b -a) / d)
7/1/2009	$ 0	$ 2,621,378	$ 2,621,378	0.0%	$ 1,476,660	177.5%

The accompanying notes are an integral part of the financial statements.

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HARBORFIELDS PUBLIC LIBRARY

FINANCIAL REPORT
WITH ADDITIONAL INFORMATION

JUNE 30, 2011

BALDESSARI & COSTER LLP

HARBORFIELDS PUBLIC LIBRARY

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Harborfields Public Library
31 Broadway
Greenlawn, New York 11740

We have audited the accompanying basic financial statements of the Harborfields Public Library as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Harborfields Public Library management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Harborfields Public Library, as of June 30, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Harborfields Public Library. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Harborfields Public Library. We did not examine this data and, accordingly, do not express an opinion thereon.

Baldessari Coster, LLP

Certified Public Accountants

July 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

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 information that presents two different views of the Library:

- The first five columns of these financial statements include information on the Library's funds under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

  The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

- The *government-wide financial statement* columns provide both long-term and short-term information about the Library's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information:

The table below compares key financial information in a condensed format between the current year and the prior year, in thousands of dollars:

	June 30, 2011	June 30, 2010	Increase (Decrease)
Current assets	$ 2,564	$ 2,579	$ (15)
Capital assets	8,679	8,984	(305)
Total Assets	11,243	11,563	(320)
Long-term debt	7,352	7,318	34
Other liabilities	338	333	5
Total Liabilities	7,690	7,651	39
Net Assets:			
Invested in capital assets, net of debt	1,732	1,844	(112)
Restricted	585	583	2
Unrestricted	1,236	1,485	(249)
Total Net Assets	$ 3,553	$ 3,912	$ (359)
Revenue:			
District taxes	$ 4,361	$ 4,281	$ 80
Interest income	17	24	(7)
Other revenue	45	63	(18)
Total Revenue	4,423	4,368	55
Expenses - Library Services	4,782	4,641	141
Change in net assets	(359)	(273)	(86)
Net assets - beginning of year	3,912	4,185	(273)
Net Assets - End of Year	$ 3,553	$ 3,912	$ (359)

The Library As A Whole

- The Library's net assets decreased by $358,374 this year. The most significant reason for this decrease was the recognition of the expenses related to post-employment health insurance costs required to be recorded in accordance with Governmental Accounting Standards Board Statement No. 45.

- The Library's primary source of revenue is from property tax related items, which represents 99 percent of total revenue. This is a slight increase over the previous year when property tax related items represented 98 percent of total revenues.

- As is typical of service agencies, salaries and benefits are a significant expense of the Library, representing 67 percent of the Library's total expenses (as per the Statement of Activities). This is an increase over the previous year when salaries and benefits represented 65 percent of total expenses.

The Library Funds:

Our analyses of the Library's funds are included in the first five columns of pages 9 through 12 on the respective statements. The fund columns provide detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. Currently the Library's funds consist of the General Fund, the Capital Fund, the Gift Fund and the Debt Service Fund.

Budgetary Highlights:

The following are explanations for the significant variations between the Library's final budget and the actual results of the General Fund:

- In total, the $52,570 unfavorable budget variance for Library revenues is not significantly different from the $45,000 revenue shortfall that it had anticipated when it approved funding its 2010/2011 budget with transfers from its debt service reserves. However, on an individual budget line basis, interest income was lower than expected due to the significant decline in interest rates.

- The N.Y.S. retirement budget line was over spent because rate increases were higher than the projected rates used to calculate the budget.

Budgetary Highlights: (continued)

- The health insurance budget line was over spent because the Library hired two additional full-time staff members.
- The book budget line was under spent because many of the items that were purchased in an electronic format were not duplicated in the print format.
- The audio books and music CD's budget line was under spent by $3,843. Due to the increased ability of patrons to download material, the Library has reduced its purchasing of audio recordings.
- The budget line for computer software was under spent by $3,738. This was due to the Library's decision to postpone the Microsoft licensing upgrade until the latest versions of the software are released.
- The budget line for postage was under spent. The Library has realized a savings by combining their printing and mailing service providers from two separate vendors to one.
- The conference and travel budget line was under spent by $5,811 because staff did not participate in any major library conferences this year.
- The budget line for contingency was under spent because the Library did not have any unexpected emergency expenditures.
- The budget line for utilities was under spent because the library had expected higher price increases.
- The budget line for insurance was under spent because the library realized a savings on their premiums when they consolidated polices.

Capital Assets:

During the fiscal year ending June 30, 2011 the Library purchased $23,400 of fixed assets (capital outlay). Although the purchases were for a variety of items, the majority ($20,740) was for computer equipment.

Debt Administration:

Long term debt consists of bonds payable, the liability the Library has is to its employees for unused vacation time (compensated absences) and its obligation for other post-employment benefits. During the fiscal year ending June 30, 2011 the Library made a principal payment of \$190,000 on the bond reducing the liability from \$6,990,000 to \$6,800,000. The liability for compensated absences at June 30, 2011 was \$99,924. This represents a decrease of \$5,157 from the previous year. The obligation for other post-employment benefits at June 30, 2011 was \$451,992. This represents an increase of \$228,779 from the previous year.

Currently Known Conditions:

The Library budget vote for the 2011-2012 fiscal year was approved by the taxpayers. The anticipated tax revenues will be \$4,472,468. This represents a 2.56% increase over the 2010-2011 fiscal year budget.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2011

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Net Assets
Assets:							
Cash and cash equivalents:							
Checking	$ 1,350,561	$ 604,660	$ 15,165	$ 243,614	$ 2,214,000	$	$ 2,214,000
Held in escrow - Dormitory Authority of the State of New York				341,781	341,781		341,781
Petty cash	750				750		750
Total cash and cash equivalents	1,351,311	604,660	15,165	585,395	2,556,531	0	2,556,531
Prepaid insurance	7,132				7,132		7,132
Other prepaid expense	951				951		951
Capital assets, net of accumulated depreciation (note 4)						8,678,941	8,678,941
Total Assets	$ 1,359,394	$ 604,660	$ 15,165	$ 585,395	$ 2,564,614	$ 8,678,941	$ 11,243,555

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2011

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Net Assets
Liabilities:							
Accounts payable (note 5)	$ 55,923	$	$	$	$ 55,923	$	$ 55,923
Payroll payable	57,433				57,433		57,433
N.Y.S. retirement payable	78,229				78,229		78,229
Bond interest payable						146,574	146,574
Non-current liabilities:							
Compensated absences payable						99,924	99,924
Obligation for other post-employment benefits						451,993	451,993
Bonds payable, within one year						195,000	195,000
Bonds payable, due after one year						6,605,000	6,605,000
Total Liabilities	191,585	0	0	0	191,585	7,498,491	7,690,076
Fund Balances/Net Assets:							
Unassigned	1,159,726				1,159,726	(1,159,726)	
Assigned		80,549	7,275		87,824	(87,824)	
Committed for specific purposes		524,111	7,890		532,001	(532,001)	
Restricted for debt service				585,395	585,395	(585,395)	
Nonspendable - prepaid amounts	8,083				8,083	(8,083)	
Total Fund Balances	1,167,809	604,660	15,165	585,395	2,373,029	(2,373,029)	
Total Liabilities and Fund Balances	$ 1,359,394	$ 604,660	$ 15,165	$ 585,395	$ 2,564,614		
Net Assets:							
Invested in capital assets, net of related debt						1,732,367	1,732,367
Restricted for debt service						585,395	585,395
Unrestricted						1,235,717	1,235,717
Total Net Assets						$ 3,553,479	$ 3,553,479

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Activities
Revenues:							
Tax revenues	$ 4,360,907	$	$	$	$ 4,360,907	$	$ 4,360,907
Investment income	12,318	2,981	10	1,405	16,714		16,714
Gifts and donations					0		0
Copier fees	6,904				6,904		6,904
New York State Aid (LLSA and other)	5,507				5,507		5,507
Rental fees	1,475				1,475		1,475
Miscellaneous income	32,064				32,064		32,064
Total Revenues	$ 4,419,175	$ 2,981	$ 10	$ 1,405	$ 4,423,571	$ 0	$ 4,423,571

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Capital Fund	Gift Fund	Debt Service Fund	Total of Funds	Adjustments (Note 14)	Statement of Activities
Expenditures/Expenses for Library Services:							
Salaries	$ 2,156,250	$	$	$	$ 2,156,250	$ (4,790)	$ 2,151,460
Employee benefits	828,415				828,415	228,412	1,056,827
Library materials and programs	384,584		1,607		386,191		386,191
Library operations	244,197				244,197		244,197
Building operations	297,608	9,775			307,383		307,383
Capital outlay	15,971	7,429			23,400	(23,400)	
Depreciation						328,797	328,797
Debt service:							
Principal	190,000				190,000	(190,000)	
Interest	306,503				306,503	(3,563)	302,940
Administrative fees	4,150				4,150		4,150
Total Expenditures/Expenses	4,427,678	17,204	1,607	0	4,446,489	335,456	4,781,945
Excess (Deficiency) Of Revenues Over Expenditures	(8,503)	(14,223)	(1,597)	1,405	(22,918)	(335,456)	
Other Financing Sources/Uses:							
Net transfers- internal activities	(1,438)			1,438	0		
Excess (Deficiency) Of Revenues And Transfers In Over Expenditures	(9,941)	(14,223)	(1,597)	2,843	(22,918)	22,918	
Change In Net Assets						(358,374)	(358,374)
Fund balance/net assets- beginning of year	1,177,750	618,883	16,762	582,552	2,395,947	1,518,654	3,911,853
Fund Balance/Net Assets- End Of Year	$ 1,167,809	$ 604,660	$ 15,165	$ 585,395	$ 2,373,029	$ 1,183,198	$ 3,553,479

The accompanying notes are an integral part of the financial statements.

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of Harborfields Public Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Accordingly, in June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments.* Some of the significant changes in the statement include the following:

- A management's Discussion and Analysis section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

The following is a summary of the significant accounting policies:

A. **Reporting Entity:** The Harborfields Public Library coordinates the raising of its real estate tax revenues with the Harborfields Central School District. The Board of Trustees is responsible for the approval of the annual budget and oversight of the Library management's control and disbursement of funds and maintenance of assets. The Library's management is solely responsible for day-to-day operations.

B. **Management Focus, Basis of Accounting and Financial Statement Presentation:** The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-Wide Financial Statements: The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Net Assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

NOTE 1: **Summary of Significant Accounting Policies (continued)**

B. Management Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Fund Financial Statements: Governmental fund financial statements are reported using the modified accrual basis of accounting prescribed by the Governmental Accounting Standards Board and the State of New York's Department of Audit and Control, Division of Municipal Affairs. Under this method, revenues are recognized in the period in which they become both measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after fiscal year end, except for real property taxes, which are considered to be available if they are collected within sixty days after the end of the fiscal year. Fees and other income items other than interest income are recorded when received in cash. Expenditures are recognized in the period in which the liability is incurred. However, debt service expenditures, if applicable, are recorded only when a payment is due.

The Library reports on the following fund:

General Fund: This fund is established to account for resources devoted to the general services that the Library performs for its taxpayers. General tax revenues and other sources of revenues used to finance the fundamental operation of the Library are included in this fund.

Capital Fund: This fund is established to account for resources devoted to construction and renovation of the Library.

Gift Fund: This fund is established to account for resources donated to the Library.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt and interest.

C. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

NOTE 1: Summary of Significant Accounting Policies (continued)

D. **Capital Assets:** Capital assets are defined by the Library as assets with an initial cost of $500 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. 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. Library books and materials are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Furniture	7 years
Building and building improvements	40 years

E. **Fund Balance Classifications:** The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* that defines the different types of fund balances that a governmental entity must use for financial reporting purposes. They are as follows:

Nonspendable: This includes amounts that cannot be spent because they are either not in spendable form (i.e. inventories, prepaid expenses, etc.) or they are legally or contractually required to be maintained intact.

Restricted: This includes amounts with constraints placed on the use of resources. These constraints can be externally imposed by creditors, grantors, contributors, or imposed by laws and regulations.

Committed: This includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Library's Board. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned: This includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. The Library Board is not required to impose or remove the constraint. Assignments of fund balance cannot be made if it would result in a negative unassigned fund balance.

Unassigned: This includes the residual classification for the Library's general fund. This classification represents fund balance that has not been assigned to other funds, assigned for specific purposes, restricted, or committed.

NOTE 1: Summary of Significant Accounting Policies (continued)

F. **Use of Restricted/Unrestricted Net Assets:** When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net assets first.

G. **Interfund Transactions:** The operations of the Library include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Library typically loans resources between funds for cash flow purposes. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted General Fund revenues to finance various expenditures that the Library must account for in other funds in accordance with budgetary authorizations.

NOTE 2: Cash and Cash Equivalents

The Library has defined cash and cash equivalents to include demand deposits, and short-term investments with a maturity of three months or less. Cash in excess of current operating needs is invested in interest bearing.

NOTE 3: Concentration of Credit Risk

The Library maintains all of its cash balances at one bank. At year end, the Library's carrying amount of deposits was $2,214,000 (excludes $750 in petty cash and $341,781 held in escrow – Dormitory Authority of the State of New York) and the bank balance was $2,222,577. Of the bank balance, $283,161 was covered by federal depository insurance. The remaining balance of $1,939,416 was covered by collateral held by the Library's agent.

NOTE 4: Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance as of 7/1/2010	Additions	Deletions	Balance as of 6/30/2011
Assets not being depreciated:				
Land	$ 1	$ 0	$ 0	$ 1
Other Capital Assets:				
Land improvements	38,900	0	0	38,900
Building and improvements	10,322,058	2,660	0	10,324,718
Furniture and equipment	817,157	20,740	0	837,897
Total	11,178,116	23,400	0	11,201,516
Accumulated depreciation	(2,193,778)	(328,797)	0	(2,522,575)
Net Book Value	$ 8,984,338	$ (305,397)	$ 0	$ 8,678,941

NOTE 5: Accounts Payable

Accounts payable consisted of unpaid invoices at June 30, 2011.

NOTE 6: Compensated Absences Payable

The Library has an accumulated liability as of June 30, 2011 for unused vacation pay amounting to $99,924. This is a decrease of $5,157 from the June 30, 2010 balance of $105,081. No portion of this liability is expected to be paid within one year.

NOTE 7: Tax Anticipation Note

During the fiscal year the School District borrowed funds in order to advance the Library some of their tax revenues in anticipation of their collection by the School District. The Library had requested $2,690,000 all of which had been repaid by the end of the fiscal year. The School District charged $9,792 interest to the Library. This was an effective interest rate of 0.445%.

NOTE 8: Bonds Payable

The Library financed its recent expansion and renovation project with an $8,000,000 bond issue dated March 31, 2003. The bonds, which were issued by the Dormitory Authority of the State of New York, are payable until July 1, 2032 and have an interest rate that increases from 3.5% to 4.625% over their term. As of June 30, 2011, $6,800,000 remained payable. Future payments are due each year as follows:

Fiscal Year End	Principal Payments	Interest Payments	Total Payments
2012	$ 195,000	$ 289,493	$ 484,493
2013	205,000	281,992	486,992
2014	210,000	274,211	484,211
2015	220,000	266,149	486,149
2016	230,000	257,711	487,711
2017-2021	1,275,000	1,143,975	2,418,975
2022-2026	1,580,000	841,825	2,421,825
2027-2031	1,965,000	445,541	2,410,541
2032-2033	920,000	43,013	963,013
Total	$6,800,000	$3,843,910	$10,643,910

NOTE 9: Long Term Debt

The following is a summary of changes in long-term debt for the period ended June 30, 2011:

	Balance 7/1/2010	Increases	Reductions	Balance 6/30/2011	Non-current liabilities Due within one year	Due after one year
Compensated absences	$ 105,081	$	$ 5,157	$ 99,924	$ 0	$ 99,924
T.A.N. payable	0	2,690,000	2,690,000	0	0	0
Gen'l obligation bonds	6,990,000	0	190,000	6,800,000	195,000	6,605,000
Other post-employment benefits payable	223,214	228,779	0	451,993	0	451,993
	$ 7,318,295	$ 2,918,779	$ 2,885,157	$ 7,351,917	$ 195,000	$ 7,156,917

NOTE 10: Fund Balances Committed For Specific Purposes:

A summary of changes in committed funds for the year ending June 30, 2011 is as follows:

	Balance as of 7/1/2010	Funds Designated (Undesignated)	Funds Expended	Balance as of 6/30/2011
Funds Designated For:				
Capital Fund:				
Building improvement	$ 468,760	$	$	$ 468,760
Equipment replacement	38,855			38,855
Roof	16,496			16,496
Gift Fund:				
Summer Reading Club	7,890			7,890
Total	$ 532,001	$ 0	$ 0	$ 532,001

NOTE 11: Commitments and Contingencies

The Library leases three copiers and a risograph machine. For the fiscal year ending June 30, 2011 the Library made lease payments of $17,790.

The future minimum lease commitment is detailed as follows:

Year Ending June 30,	Total
2012	$ 11,075
2013	9,733
2014	5,840
Total	$ 26,648

NOTE 12: Retirement Plan

A. **General Information:** The Harborfields Public Library contributes to the New York State and Local Employees' Retirement System (ERS). The Retirement System is a cost sharing multiple employer defined benefit pension plan. The Retirement System provides retirement benefits, as well as death and disability benefits.

B. **Plan Description:** The ERS is established pursuant to the New York State Retirement and Social Security Law, to provide benefits for the state and local governments and their employees. The State Constitution guarantees ERS plan benefits.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

C. **Funding Policy:** The Retirement System is noncontributory except for: 1) employees who joined the Retirement System between July 27, 1976 and December 31, 2009, and have less than ten years of service, who contribute 3% of their salary, and 2) employees who joined the Retirement System after December 31, 2009 who contribute 3% of their salary in perpetuity. Under the Authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library is required to contribute annually at an actuarially determined rate. The required contribution for the current year end was $225,801, for 2010 it was $139,813 and for 2009 it was $133,473.

The actual contributions made to the Retirement System were equal to 100% of the contribution required for each year.

NOTE 13: Post-employment Benefits Other Than Pensions

A. **Plan Description:** The New York State Department of Civil Service (DCS) administers the New York Health Insurance Program (NYSHIP) which provides health insurance to current and retired employees of New York State, and participating public authorities and local governmental units, such as the Harborfields Public Library. NYSHIP offers comprehensive hospital, medical and prescription drug benefits. As administrator of NYSHIP, the DCS performs all administrative tasks and has the authority to establish and amend the benefit provisions offered. Annual benefit premiums charged to and paid by participating local governmental entities are generally the same, regardless of each individual employer's risk profile. The annual benefit premiums collected by DCS are then remitted to the health insurance carriers that comprise NYSHIP. NYSHIP is considered an agent multiple-employer defined benefit plan, it is not a separate entity or trust, and does not issue stand-alone financial statements. The Library, as a participant in the plan, recognizes these postemployment benefits on an accrual basis.

B. **Funding Policy:** Contribution requirements are determined by the Library Board. Currently, the Library will pay the following share of the individual and family policy premiums based upon the retiree's length of service:

Years Of Service	% Of Premium Paid By Library: Individual	% Of Premium Paid By Library: Family
15	90%	75%
12	75%	50%
8	50%	35%

For the year ending June 30, 2011, the Library recognized the cost of providing health insurance by recording its share of retiree insurance premiums of $49,814 as an expenditure in the General Fund. Harborfields Public Library also reimburses retired employees and their spouses the full cost of Medicare deducted from their Social Security benefits, which amounted to $9,993. The retiree's share of premiums for health insurance is withheld from their monthly NYS retirement pension payment.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

B. **Funding Policy: (Continued)** The calculation of the liability was based upon the 2009 annual medical premiums of:

	Individual	Family	Family With Two Medicare Participants	Family With One Medicare Participant
Empire	$ 7,183	$ 15,386		
Empire Medicare	$ 4,311		$ 9,641	$ 12,514

C. **Annual OPEB Cost and Net OPEB Obligation:** The Library's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the "annual required contribution of the employer (ARC). The Library has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation to the Retiree Health Plan:

Annual required contribution & OPEB cost	$ 287,365
Interest on net OPEB obligation	8,929
Adjustment to annual required contribution	(9,344)
Annual OPEB cost (expense)	286,950
Contributions made	(58,171)
Increase in net OPEB obligation	228,779
Net OPEB obligation - beginning of year	223,214
Net OPEB obligation - end of year	$ 451,993

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

C. **Annual OPEB Cost and Net OPEB Obligation: (Continued)** The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2010 and June 30, 2011 is as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % Of Pay
6/30/2010	$ 271,282	17.70%	$ 223,214	$ 1,476,660	18.40%
6/30/2011	$ 286,950	20.30%	$ 451,993	$ 1,513,577	19.00%

D. **Funded Status and Funded Progress:** As of June 30, 2011, the actuarial accrued liability for benefits based upon the valuation date of July 1, 2009 was $2,621,378, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,513,577, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 173.2 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information as time passes about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Funding interest rate – An interest rate of 4% was used.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Mortality – Life expectancies were based on the RP2000 Mortality Table with sex distinct rates and with generational mortality improvements projected using the AA table projection rates.

Participation rate – It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Retirement rates:

Age	Rate
55-59	3.0%
60-64	9.0%
65-69	12.0%
70-79	20.0%
80+	100.0%

Termination rates – The following rates from Table 1, paragraph 35 of Government Accounting Standard no. 45 were used.

Age	Rate
20	7.79%
25	6.78%
30	4.66%
35	3.19%
40	2.21%
45	1.59%
50+	0.00%

Participant salary increases – 3.50% annually.

Payroll growth rate – 2.50% annually.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions: (Continued)

Healthcare cost trend rates – It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Rates
2009	9.0%
2010	8.0%
2011	7.0%
2012	6.0%
2013	5.5%
2014	5.0%

Percent married – It was assumed that 65% of the male and 25% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Actuarial value of assets – N/A

Per capita claims cost – Are based on the premium levels of the plan provisions in section B. The premiums paid by the Library are independent of the Library's experience and demographic profile, and are expected to change consistent with a community rated plan. Thus, we have applied the premiums with no additional adjustments other than future trend increases.

Administrative expenses – Included in premiums used.

Actuarial Cost Method – An actuarial cost method develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

NOTE 13: Post-employment Benefits Other Than Pensions (Continued)

F. Methods and Assumptions: (Continued)

The Entry Age Normal Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual is allocated on a level basis over the earnings of the individual between hire age and assumed exit age(s). The portion of the Actuarial Present Value allocated to the valuation year is called the Normal Cost. The portion of the Actuarial Present Value not provided for as of the valuation date by the Actuarial Present Value of Future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability has been determined as a level percentage of the projected payroll of active plan members. At each valuation, a new amortization base is created equal to the excess of the unfunded actuarial accrued liability over the remaining balances of prior amortization bases. The new base is amortized over 29 years. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

NOTE 14: Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental funds differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance- Modified Accrual Basis	$ 2,373,029
Amounts reported in the statement of net assets are different because:	
• Capital assets are not financial resources, and are not reported in the funds	8,678,941
• Bonds payable in future periods are not reported in the funds	(6,800,000)
• Bond interest payable is not recorded in the funds	(146,574)
• Compensated absences, not anticipated to be paid within the next twelve months, are included as a liability	(99,924)
• Obligation for post-employment health insurance, to be paid in future periods is not reported in the funds	(451,993)
Total Net Assets- Full Accrual Basis	$ 3,553,479
Net Change in Fund Balance-Modified Accrual Basis	$ (22,918)
Amounts reported in the statement of activities are different because:	
• Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	23,400
Depreciation expense	(328,797)
• (Increase)/decrease in the accruals for items reported as an expenditure in the statements of activities, not in the fund statements:	
Compensated absences	5,157
Post-employment health costs	(228,779)
Interest on bonds payable	3,563
• Repayments of principal on bonds payable are not an expense in the statement of activities, rather a reduction of the liability	190,000
Change In Net Assets-Full Accrual Basis	$ (358,374)

HARBORFIELDS PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues:				
Tax Revenues:				
Harborfields Central School District	$ 4,360,745	$ 4,360,745	$ 4,360,907	$ 162
Operating Revenue:				
Interest income	20,000	20,000	12,318	(7,682)
Copier fees	7,000	7,000	6,904	(96)
New York State Incentive Aid	5,000	5,000	5,507	507
Rental fees	2,000	2,000	1,475	(525)
Miscellaneous (includes video fines and fees of $17,034)	32,000	32,000	32,064	64
Total Operating Revenue	66,000	66,000	58,268	(7,732)
Non-Operating Revenue:				
Transfer from debt service reserve	45,000	45,000	0	(45,000)
Total Revenues	$ 4,471,745	$ 4,471,745	$ 4,419,175	$ (52,570)
Expenditures:				
Salaries:				
Salaries - Professional	$ 1,004,863	$ 1,004,863	$ 1,022,464	$ (17,601)
Salaries - Clerical	729,697	729,697	725,222	4,475
Salaries - Page	168,593	168,593	154,198	14,395
Salaries - Custodial	202,418	202,418	216,542	(14,124)
Salaries - Security	33,884	33,884	37,824	(3,940)
Total Salaries	2,139,455	2,139,455	2,156,250	(16,795)
Employee Benefits:				
N.Y.S. retirement	222,015	222,015	248,526	(26,511)
Social Security	152,000	152,000	161,395	(9,395)
Workers' compensation	18,000	18,000	13,890	4,110
Unemployment insurance	4,000	4,000	4,732	(732)
Disability	7,500	7,500	7,819	(319)
Health insurance	342,000	342,000	392,053	(50,053)
Total Employee Benefits	$ 745,515	$ 745,515	$ 828,415	$ (82,900)

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Library Materials and Programs:				
Books	$ 229,950	$ 229,950	$ 206,570	$ 23,380
Online reference	35,000	35,000	36,730	(1,730)
Audio books & music CD's	25,300	25,300	21,457	3,843
Video recordings	38,750	38,750	36,583	2,167
Programs	55,775	55,775	51,254	4,521
Microfilm	175	175	0	175
Periodicals	24,500	24,500	24,078	422
Non-book materials	900	900	50	850
Bookbinding	175	175	535	(360)
Other library materials	750	750	1,065	(315)
Computer software	10,000	10,000	6,262	3,738
Total Library Materials and Programs	421,275	421,275	384,584	36,691
Library Operations:				
Library supplies	35,000	35,000	32,566	2,434
Telephone	24,000	24,000	20,887	3,113
Postage	20,000	20,000	11,916	8,084
Printing and public relations	37,500	37,500	36,896	604
Professional fees - legal	6,500	6,500	8,150	(1,650)
Professional fees - other	16,400	16,400	15,392	1,008
Equipment repair and rental contracts	12,000	12,000	11,830	170
Copiers	20,000	20,000	17,051	2,949
Contracts with private firms	20,500	20,500	20,522	(22)
Contracts with other libraries	48,000	48,000	45,140	2,860
Conferences and travel	14,500	14,500	8,689	5,811
Elections	6,000	6,000	5,473	527
Dues	2,600	2,600	1,611	989
MTA payroll tax	8,000	8,000	7,483	517
Contingency / miscellaneous	25,000	25,000	591	24,409
Total Library Operations	$ 296,000	$ 296,000	$ 244,197	$ 51,803

The accompanying notes are an integral part of the financial statements.

HARBORFIELDS PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Expenditures: (continued)				
Building Operations:				
Utilities	$ 230,000	$ 230,000	$ 176,309	$ 53,691
Building repair and maintenance	17,750	17,750	16,474	1,276
Insurance	61,250	61,250	47,870	13,380
Building service contracts	40,000	40,000	43,121	(3,121)
Custodial supplies	15,500	15,500	13,834	1,666
Total Building Operations	364,500	364,500	297,608	66,892
Capital Outlay:				
Building improvement	0	0	960	(960)
Library and AV equipment	2,000	2,000	0	2,000
Computer equipment	8,000	8,000	15,011	(7,011)
Furniture	5,000	5,000	0	5,000
Total Capital Outlay	15,000	15,000	15,971	(971)
Debt Service:				
Principal			190,000	
Interest			306,503	
Administrative fees			4,150	
Total Debt Service	490,000	490,000	500,653	(10,653)
Total Expenditures	4,471,745	4,471,745	4,427,678	44,067
Excess of Expenditures Over Revenues	0	0	(8,503)	(8,503)
Other Financing Sources (Uses):				
Transfer to the Debt Service Fund			(1,438)	
Total Other Financing Sources (Uses)	0	0	(1,438)	(1,438)
Excess Of Expenditures And Other Financing Uses Over Revenues	0	0	(9,941)	(9,941)
Budgetary fund balance- beginning of year	1,177,750	1,177,750	1,177,750	1,177,750
Budgetary Fund Balance- End Of Year	$ 1,177,750	$ 1,177,750	$ 1,167,809	$ 1,167,809

The accompanying notes are an integral part of the financial statements.

BALDESSARI & COSTER LLP

HARBORFIELDS PUBLIC LIBRARY
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (d)	UAAL as a percentage of Covered Payroll ((b -a) / d)
7/1/2009	$ 0	$ 2,621,378	$ 2,621,378	0.0%	$ 1,476,660	177.5%

The accompanying notes are an integral part of the financial statements.

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2013 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Construction of the Project

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

(Section 5)

Amendment of the Project; Additional Bonds

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

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

(Section 6)

Financial Obligations

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

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

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

(iii) [Reserved];

(iv) On or before each December 1 commencing on December 1, 2013, an amount equal to the interest coming due on the Bonds on the immediately succeeding January 1 and July 1;

(v) On or before each December 1 commencing on December 1, 2013, an amount equal to the principal and Sinking Fund Installment on the Bonds coming due on the immediately succeeding July 1;

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

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

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

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

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

(xi) [Reserved]; and

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

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year as described in paragraph (a)(v) above on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, either (i) the Institution delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed or (ii) the Trustee, at the direction of the Authority, has purchased one or more Bonds of the Series and maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered. In addition, subject to the provisions of the Loan Agreement and of the Collection Agreement, the Institution shall receive a credit against the amounts required to be paid by the Institution during a Bond Year as described paragraphs (a)(iv) and (v) above on account of payments made to the Trustee pursuant to the Collection Agreement.

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

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

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

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

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

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

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

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

(Section 9)

Security Interest in Pledged Revenues.

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

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

(Section 11)

Collection of Pledged Revenues

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

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

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

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

(Section 12)

Warranty of Title; Title Insurance; Utilities and Access

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

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

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

(Section 14)

Consent to Pledge and Assignment by the Authority

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

(Section 15)

Additional Representation and Covenants

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

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

(Section 16)

Tax-Exempt Status of the Institution

(a) The Institution represents that (i) it is a not-for-profit education corporation duly incorporated and existing under the laws of the State and operating as a special district library chartered by the Board of Regents of the State of New York, (ii) it is a public library as described in Article 5, title 1, of Chapter 16 of the Consolidated Laws of the State of New York (the "Education Law"), (iii) its board of trustees is elected by the electorate of the Library District, (iv) no part of its earnings inure to the benefit of any private non-governmental entity or individual, (v) it is it is not subject to federal, state or local taxation, (vi) upon dissolution, its assets must be returned to the Board of Regents to the extent of any state aid or gifts for public use received by it, with remaining assets, if any, to be used as directed in the vote abolishing the library, (vii) its full-time employees are subject to the state civil service laws and regulations, and (viii) substantially all of the employees are members of the New York State and Local Employees Retirement System. The Institution agrees that it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of the Institution, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

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

(Section 17)

Use and Possession of the Project

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

(Section 21)

Restrictions on Religious Use

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

(Section 22)

Covenant as to Insurance

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

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

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

(Section 25)

Indemnity by Institution

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

(b) The Institution agrees, to the extent permitted by law, to indemnify and hold harmless the Authority, any member, officer, official, employee, counsel, consultant and agent of the Authority, each and any purchaser of Bonds whose name is set forth in a contract of purchase between any such purchaser or purchasers and the Authority providing for the sale of Bonds by the Authority or on a bid submitted at public sale for the purchase of Bonds and each person, if any, who controls any such purchaser within the meaning of Section 15 of the Securities Act of 1933, as amended (all such parties being collectively called the "Indemnified Parties") against any and all losses, claims, damages, liabilities or expenses whatsoever, joint or several, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) are caused by, arise out of or are based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact relating to the Institution, the Project or the use of proceeds of the Bonds made, provided or certified by the Institution or any agent thereof and contained in an official statement, or other offering document, or any amendment thereof or supplement thereto, relating to the Bonds offered for sale thereby, or caused by, arising out of or based upon any omission or alleged omission from such an official statement, or any amendment thereof or supplement thereto, of any material fact relating to the Institution or the Project or the use of proceeds of the Bonds necessary in order to make the statements made therein in the light of the circumstances under which they were made not misleading.

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

(Section 30)

Defaults and Remedies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(vi) to the extent permitted by law and as applicable, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being hereby given by the Institution, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this subparagraph (vi), (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be 'liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of this subparagraph (vi) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by this subparagraph (vi) during the term of the Loan Agreement;

(vii) Reserved;

(viii) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement or by law, including any action or proceeding permitted by the terms of the Loan Agreement or by law; and

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

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

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

(Section 31)

Arbitrage; Tax Exemption

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

Neither the Institution nor any "related person" (as such term is defined for purposes of Section 148 of the Code) shall purchase any Series 2013 Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Institution or by a related person of Series 2013 Bonds will not cause interest on the Series 2013 Bonds to be included in the gross income of the owners of the Series 2013 Bonds for purposes of federal income taxation.

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

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

(Section 36)

Consultation with the Institution

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

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

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

(Section 38)

Termination

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

(Section 45)

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION

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

Resolution and Bonds Constitute a Contract

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

(Section 1.03)

Refunding Bonds and Additional Obligations

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

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

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

(Sections 2.04 and 2.05)

Pledge of Revenues

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

(Section 5.01)

Establishment of Funds and Accounts

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

Construction Fund;

Debt Service Fund; and

Arbitrage Rebate Fund.

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

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

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

(Section 5.03)

Application of Moneys in the Construction Fund

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

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

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

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

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

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

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

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

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

(Section 5.04)

Deposit of Revenues and Allocation Thereof

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

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

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

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

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

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

(Section 5.05)

Debt Service Fund

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

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

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

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

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

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

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

(Section 5.06)

Arbitrage Rebate Fund

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

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

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

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

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

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

(Section 5.08)

Investment of Funds and Accounts Held by the Trustee

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

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

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

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

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

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

(Section 6.02)

Creation of Liens

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

(Section 7.06)

Amendment of Loan Agreement

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

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

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

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

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

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

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

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

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

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

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

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

(Section 7.11)

Modification and Amendment Without Consent

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

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution or under a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, or any Series Resolution, of the Revenues, or any pledge of any other moneys, securities or funds;

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

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

(Section 9.01)

Supplemental Resolutions Effective with Consent

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

(Section 9.02)

Events of Default

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

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

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

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

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

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

(Section 11.02)

Acceleration of Maturity

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

(Section 11.03)

Enforcement of Remedies

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

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

(Section 11.04)

Priority of Payment After Default

If at any time the moneys held by the Trustee under the Resolution and under a Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies described under this heading or otherwise, shall be applied (after first depositing in the Arbitrage Rebate Fund all amounts required to be deposited therein and then paying all amounts owing to the Trustee under the Resolution) as follows:

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

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

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

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

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

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

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

(Section 11.05)

Bondholders' Direction of Proceedings

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

(Section 11.07)

Limitation of Rights of Individual Bondholders

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

(Section 11.08)

Defeasance

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

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

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

(Section 12.01)

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FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

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FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2013 Bonds, Hodgson Russ LLP, Albany, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel to the Authority, propose to issue their approving opinion as to the Series 2013 Bonds in substantially the following form:

May 2, 2013

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

Re: $6,090,000 Dormitory Authority of the State of New York
Harborfields Public Library Revenue Bonds, Series 2013

We have served as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance by the Authority of its $6,090,000 Harborfields Public Library Revenue Bonds, Series 2013 (the "Series 2013 Bonds"), dated the date of this letter.

The Series 2013 Bonds are issued pursuant to 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 (the "Act"), the Harborfields Public Library Revenue Bond Resolution, adopted on March 13, 2013 and the Series Resolution Authorizing Up To $7,000,000 Harborfields Public Library Revenue Bonds, Series 2013, adopted on March 13, 2013 (collectively, the "Resolutions"). Capitalized terms not otherwise defined in this letter are used as defined in the Resolutions or the Loan Agreement (as defined herein).

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2013 Bonds, a copy of the signed and authenticated Series 2013 Bond of the first maturity and the Loan Agreement, dated as of March 13, 2013 (the "Loan Agreement''), between the Authority and Harborfields Public Library (the "Institution"), and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.

2. The Series 2013 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2013 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2013 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions (except the Arbitrage Rebate Fund), subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Loan Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the Institution, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2013 Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2013 Bonds. The Series 2013 Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Under existing law, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; provided, however, that such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations and the branch profits tax imposed on foreign corporations doing business in the United States.

7. Interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

8. "Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of the Series 2013 Bonds (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity (in general, the "issue price" of a maturity means the first price at which a substantial amount of those Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers)). For any Series 2013 Bonds having OID (a "Discount Bond"), OID that is properly allocable to the owners of the Discount Bonds is excluded from gross income for federal income tax purposes to the same extent as other interest on the Series 2013 Bonds. In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on a periodic compounding of interest over prescribed accrual periods at least annually, using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond.

Except as stated in paragraphs 6, 7 and 8 above, we express no opinion regarding any Federal, state or local tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 Bonds. Further, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2013 Bonds, or the interest thereon, if any action is taken with respect to the Series 2013 Bonds or the proceeds thereof upon the advice or approval of other counsel. We render no opinion as to the exclusion from gross income of interest on the Series 2013 Bonds for purposes of federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Hodgson Russ LLP and Golden Holley James LLP. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2013 Bonds may affect the tax status of interest on the Series 2013 Bonds. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2013 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2013 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Authority, and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the Institution delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Series 2013 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Authority and the Institution. Failure to comply with certain of those covenants subsequent to issuance of the Series 2013 Bonds may cause interest on the Series 2013 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2013 Bonds, the Resolutions or the Loan Agreement.

The opinions contained in paragraphs 2 through 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2013 Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

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

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Series 2013 Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2013 Bonds has concluded on this date.

Respectfully submitted,

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