



\$24,785,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE REFUNDING BONDS
(NASSAU COUNTY ISSUE), SERIES 2011

Dated: Date of Delivery

Due: August 15, as shown on the inside cover

Payment and Security: The Series 2011 Bonds (as defined herein) will be special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from and secured by a pledge of certain payments to be made by the Board of Cooperative Educational Services of the Sole Supervisory District of Nassau County ("Nassau BOCES") pursuant to two Amended and Restated Lease and Agreements (the "Agreements"), dated as of March 30, 2011 between Nassau BOCES and the Authority and all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Authority's Master BOCES Program Lease Revenue Bond Resolution, adopted August 15, 2001, as heretofore amended and supplemented (the "Master Resolution"), and established by the Authority's Series Resolution Authorizing Up To \$30,000,000 Master BOCES Program Lease Revenue Refunding Bonds (Nassau County Issue), Series 2011, adopted March 30, 2011 (the "Series 2011 Resolution" and, together with the Master Resolution, the "Resolutions").

The Agreements, which are general obligations of Nassau BOCES, require Nassau BOCES to pay, or cause to be paid, amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2011 Bonds as such payments become due (the "Basic Rent"), as well as additional rental fees and expenses of the Authority and the Trustee (collectively with the Basic Rent, the "Rentals"). Payment of Nassau BOCES' obligations under the Agreements shall be made pursuant to the provisions of the Act (as hereinafter defined) which provides that the Comptroller of the State of New York shall deduct from any State funds payable to Nassau BOCES an amount equal to the amount payable by Nassau BOCES to the Authority under the Agreements for the ensuing school year. To secure its payment of all of the Rentals due under the Agreements, including the Basic Rent, Nassau BOCES will assign and pledge to the Authority a portion of any and all public funds apportioned by the State of New York (the "State") to Nassau BOCES sufficient to pay such amounts (the "Pledged Revenues"). The Series 2011 Bonds will be secured by the pledge and assignment to the Trustee of the Basic Rent payments to be paid by Nassau BOCES to the Authority under the Agreements and the Authority's interest in the Pledged Revenues. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to Nassau BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2011 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS."

The scheduled payment of principal of and interest on Series 2011 Bonds maturing on August 15, 2017 and those maturing on August 15, 2019 and bearing interest at 3.000% per annum (the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2011 Bonds by Assured Guaranty Municipal Corp.



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

The Series 2011 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2011 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due August 15, 2011 and each February 15 and August 15 thereafter) on the Series 2011 Bonds will be payable by check mailed to the registered owners thereof and principal will be payable at the corporate trust office of The Bank of New York Mellon, New York, New York, Trustee and Paying Agent.

The Series 2011 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 2011 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2011 Bonds, payments of the principal and Redemption Price of and interest on such Series 2011 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 2011 BONDS – Book-Entry Only System" herein.

Redemption: The Series 2011 Bonds are subject to special redemption prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011 Bonds is exempt from personal income taxes of the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds. See "PART 11 - TAX MATTERS."

The Series 2011 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2011 Bonds may be subject to prior sale or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel Arent Fox, LLP, New York, New York and for Nassau BOCES by its counsel Hawkins Delafield & Wood LLP, New York, New York. The Authority expects to deliver the Series 2011 Bonds in definitive form in New York, New York, on or about May 25, 2011.

Loop Capital Markets

\$24,785,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE REFUNDING BONDS
(NASSAU COUNTY ISSUE), SERIES 2011

Due August 15	Amount	Interest Rate	Yield	CUSIP⁽¹⁾
2012	\$1,780,000	3.000%	0.78%	649906FS8
2013	1,835,000	3.000	1.16	649906FT6
2014	1,885,000	4.000	1.67	649906FU3
2015	1,965,000	4.000	1.97	649906FV1
2016	2,830,000	5.000	2.29	649906FW9
2017 ⁺	1,000,000	4.000	2.59	649906FX7
2017 ⁺	1,145,000	5.000	2.59	649906GD0
2018	3,110,000	5.000	2.97	649906FY5
2019 ⁺	760,000	3.000	3.16	649906FZ2
2019	2,500,000	5.000	3.26	649906GC2
2020	3,405,000	5.000	3.47	649906GA6
2021	2,570,000	5.000	3.63	649906GB4

⁺ Insured Bonds.

- (1) Copyright 2009 American Bankers Association. CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2011 Bonds. Neither the Authority nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2011 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2011 Bonds as a result of various subsequent actions including but not limited to, a refunding in whole or part of such maturity 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 certain maturities of the Series 2011 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, Nassau BOCES or the Underwriter to give any information or to make any representations with respect to the Series 2011 Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Authority, Nassau BOCES 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 2011 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 Nassau BOCES and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriter guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority or of the Underwriter.

Nassau BOCES has reviewed the parts of this Official Statement describing Nassau BOCES, the Refunding Plan, the Estimated Sources and Uses of Funds and Appendix B. Nassau BOCES shall certify as of the dates of sale and delivery of the Series 2011 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. Nassau BOCES makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

The New York State Department of Education (the "Department") has reviewed the parts of this Official Statement relating to BOCES generally and the Department's participation in the transaction contemplated herein. The Department shall certify as of the date of delivery of the Series 2011 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Department makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Bond Insurance" and "Appendix F - Specimen Municipal Bond Insurance Policy".

References in this Official Statement to the Act, the Resolutions, the Agreements and the Agreements of Lease do not purport to be complete. Refer to the Act, the Resolutions, the Agreements and the Agreements of Lease for full and complete details of their provisions. Copies of the Resolutions, the Agreements and the Agreements of Lease are on file with the Authority and the Trustee.

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

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

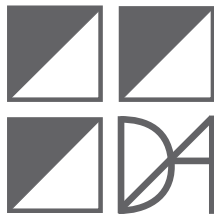
IN CONNECTION WITH THE OFFERING OF THE SERIES 2011 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2011 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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.

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DORMITORY AUTHORITY - STATE OF NEW YORK
PAUL T. WILLIAMS, JR. - PRESIDENT

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OFFICIAL STATEMENT RELATING TO
\$24,785,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE REFUNDING BONDS
(NASSAU COUNTY ISSUE), SERIES 2011

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover and the inside cover page and appendices, is to provide information about the Authority, Nassau BOCES and the Insurer (as hereafter defined) in connection with the offering by the Authority of \$24,785,000 aggregate principal amount of the Master BOCES Program Lease Revenue Refunding Bonds (Nassau County Issue), Series 2011 (the “Series 2011 Bonds”).

The following is a description of certain information concerning the Series 2011 Bonds, the Authority and the Refunding Plan (as hereafter described). A more complete description of such information and additional information that may affect decisions to invest in the Series 2011 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2011 Bonds are being issued and proceeds thereof will be used together with other available moneys to (i) refund all of the outstanding Master BOCES Program Lease Revenue Bonds (Nassau County Issue), Series 2001A (the “Series 2001A Bonds”) issued by the Authority pursuant to its Master Resolution for Nassau BOCES adopted August 15, 2001, as amended and supplemented (the “Master Resolution”); (ii) refund a portion of the outstanding Master BOCES Program Lease Revenue Bonds (Nassau County Issue), Series 2003 (the “Series 2003 Bonds”), issued by the Authority pursuant to its Master Resolution; (iii) make a deposit to the Debt Service Reserve Fund; and (iv) pay a portion of the Costs of Issuance of the Series 2011 Bonds, including the payment of the premium for the municipal bond insurance policy. See “PART 6 - THE REFUNDING PLAN” and “PART 7 – ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Dormitory Authority Act (the “Act”) empowers the Authority, among other things, to issue its bonds for the purpose of financing or refinancing the acquisition, construction or improvement of “board of cooperative educational services school facilities.” The Act further authorizes any board of cooperative educational services in the State (a “BOCES”), when authorized by its voters, to convey a leasehold interest in property owned by such BOCES to the Authority and to lease the property back from the Authority for purposes of financing such BOCES’ school facilities. Consistent with the Act, Nassau BOCES will, pursuant to two Amended and Restated Agreements of Lease, lease certain property on which the refinanced school facilities are located (the “Projects”) to the Authority (the “Agreements of Lease” or the “BOCES Leases”) and the Authority will sublease the Projects back to Nassau

BOCES pursuant to two Amended and Restated Lease and Agreements (the “Agreements”). The first Agreement of Lease (the “2001 BOCES Lease”) and the first Agreement (the “2001 Agreement”) were executed in connection with the issuance of the Series 2001A Bonds and are being amended and restated in connection with the issuance of the Series 2011 Bonds and the refunding of all of the Series 2001A Bonds. The second Agreement of Lease (the “2003 BOCES Lease”) and the second Agreement (the “2003 Agreement”) were executed in connection with the issuance of the Series 2003 Bonds and are being amended and restated in connection with the issuance of the Series 2011 Bonds and the refunding of a portion of the Series 2003 Bonds.

The Series 2011 Bonds will be issued pursuant to the Master Resolution, the Series Resolution Authorizing Up To \$30,000,000 Master BOCES Program Lease Revenue Bonds (Nassau County Issue), Series 2011, adopted March 30, 2011 (the “Series 2011 Resolution”) and the Act. The Master Resolution authorizes the issuance of multiple Series of Bonds for BOCES throughout the State. Each Series of Bonds is to be separately secured by (i) the funds and accounts, including a debt service reserve fund, but excluding the Arbitrage Rebate Fund, established pursuant to a Series Resolution, (ii) certain payments to be made under an agreement to be executed by and between the Authority and a BOCES for whose benefit the applicable Series of Bonds is to be issued and (iii) the pledge and assignment by such BOCES in its agreement of a portion of State aid payable to such BOCES sufficient to pay the amounts due under such agreement. Neither the funds and accounts established under any Series Resolution nor any agreement nor the pledge and assignment of State aid for one Series of Bonds shall secure any other Series of Bonds, except that an additional Series of Bonds issued to finance a project for a BOCES for which Bonds have already been issued may be secured on a subordinate basis to the Outstanding Series of Bonds for such BOCES. The Series 2011 Bonds will be the fourth series of bonds issued for the Nassau BOCES and the pledge and assignment of State aid securing the Series 2011 Bonds will be subordinate to the pledge and assignment of State aid securing the remaining Series 2003 Bonds and the Authority’s Master BOCES Program Lease Revenue Bonds (Nassau County Issue), Series 2009 (the “Series 2009 Bonds”). See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Security for the Series 2011 Bonds.” The Series 2001A Bonds were the first series of bonds issued for the Nassau BOCES. All of the Outstanding Series 2001A Bonds will be refunded with proceeds of the Series 2011 Bonds and other monies and no Series 2001A Bonds will remain Outstanding. A portion of the Series 2003 Bonds will be refunded with proceeds of the Series 2011 Bonds and a portion of the Series 2003 Bonds will remain Outstanding. See “PART 6 – THE REFUNDING PLAN.”

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. See “PART 8 – THE AUTHORITY.”

Nassau BOCES

Nassau BOCES was established on January 19, 1967 and provides shared services to the 56 public school districts located in Nassau County that together have more than 300 schools and approximately 221,000 students. Many of the services are intended to enhance local district educational programs and/or to help school districts operate more efficiently by having Nassau BOCES provide shared educational programs to two or more school districts which an individual school district could not itself provide as efficiently or economically. See “PART 5 – NASSAU BOCES.”

The Series 2011 Bonds

The Series 2011 Bonds will be dated and bear interest from their delivery date, payable each February 15 and August 15, commencing August 15, 2011. The Series 2011 Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See “PART 3 – THE SERIES 2011 BONDS – Description of the Series 2011 Bonds.”

Payment of the Series 2011 Bonds

The Series 2011 Bonds are special obligations of the Authority payable solely from the Basic Rent payments to be made by Nassau BOCES under the Agreements. Pursuant to the Master Resolution, such payments and the Authority's right to receive the same have been pledged to the Trustee.

The Act provides that the Comptroller of the State of New York is to deduct from any State funds payable to Nassau BOCES an amount equal to the amount payable by Nassau BOCES to the Authority under the Agreements for the ensuing school year. Such amount will be paid directly to the Trustee. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2011 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS."

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

Security for the Series 2011 Bonds

The Series 2011 Bonds will be secured by the pledge and assignment to the Trustee of Basic Rent, the proceeds from the sale of the Series 2011 Bonds (until disbursed as provided by the Master Resolution) and all funds and accounts authorized by the Master Resolution and established by the Series 2011 Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund. The Agreements require Nassau BOCES to pay Basic Rent to the Authority as well as additional rental fees and expenses of the Authority and the Trustee (together with Basic Rent, the "Rentals"). To secure the payment of the Rentals, Nassau BOCES will assign and pledge to the Authority a portion of any and all public funds apportioned by the State to Nassau BOCES in an amount sufficient to pay such Rentals. Such pledge and assignment is subordinate to the pledge and assignment made by Nassau BOCES in order to secure the Outstanding Series 2009 Bonds, which is subordinate to such pledge and assignment made by Nassau BOCES in order to secure the Outstanding Series 2003 Bonds. As a result, any State funds payable to Nassau BOCES and received by the Trustee shall be applied first to payments to be made by Nassau BOCES pursuant to the applicable Agreement relating to the Outstanding Series 2003 Bonds, second to payments to be made by Nassau BOCES pursuant to the applicable Agreement relating to the Outstanding Series 2009 Bonds, and third to payments to be made by Nassau BOCES pursuant to the Agreements relating to the Series 2011 Bonds.

The Refunding Plan

The Refunding Plan consists of a refunding of all of the Outstanding Series 2001A Bonds and a portion of the Series 2003 Bonds (the "Refunded Bonds"). All of the Outstanding Series 2001A Bonds will be refunded with proceeds of the Series 2011 Bonds and other monies, and no Series 2001A Bonds will remain Outstanding. A portion of the Series 2003 Bonds will be refunded with proceeds of the Series 2011 Bonds and a portion of the Series 2003 Bonds will remain Outstanding. See "PART 6 – THE REFUNDING PLAN."

Bond Insurance

Concurrently with the issuance of the Series 2011 Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its municipal bond insurance Policy (the "Policy") for the Series 2011 Bonds maturing on August 15, 2017 and those maturing on August 15, 2019 and bearing interest at 3.000% per annum (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal and interest on the Insured Bonds when due as set forth in the form of the Policy included in Appendix F. See "PART 2 - SOURCES OF PAYMENT AND

SECURITY FOR THE SERIES 2011 BONDS - Bond Insurance” and “Appendix F - Specimen Municipal Bond Insurance Policy.”

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Bonds, including the Series 2011 Bonds, issued under the Master Resolution. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolutions, the Agreements and the Agreements of Lease for a more complete description of such provisions. Copies of the Resolutions, the Agreements and the Agreements of Lease are on file with the Authority and the Trustee. See also “Appendix C – Summary of Certain Provisions of the Lease and Agreements” and “Appendix D - Summary of Certain Provisions of the Master Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2011 Bonds

The Series 2011 Bonds are special obligations of the Authority. The principal and Redemption Price of and interest on the Series 2011 Bonds are payable solely from the Revenues. The Revenues consist of the Basic Rent required to be paid by Nassau BOCES under the Agreements on account of the principal of and Redemption Price of and interest on the Series 2011 Bonds and to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement as well as the Pledged Revenues and the Authority’s right to receive same. See “Appendix A – Definitions – Revenues.” The Revenues and the right to receive them have been pledged to the Trustee.

Nassau BOCES is to assign and pledge to the Authority a portion of any and all public funds payable by the State to Nassau BOCES in an amount sufficient to pay all Rentals due under the Agreements. State aid is normally paid to Nassau BOCES by the State on or about February 1, June 1 and September 1 of each year (but such schedule may be changed by the State in its discretion). The Act provides that the Comptroller of the State of New York (the “State Comptroller”) is to deduct from any State funds to become due to Nassau BOCES an amount equal to the amount payable by Nassau BOCES to the Authority under the Agreements for the ensuing school year and pay such amount to the Authority. It is expected that the September 1 payment of State aid to Nassau BOCES will be sufficient to pay the Basic Rent due on such date (i.e., an amount sufficient to pay principal of and interest on the Series 2011 Bonds on the succeeding February 15 and August 15). To the extent that payments from the State Comptroller to the Trustee pursuant to the Resolution and the Memorandum of Understanding are less than the Basic Rent due on September 1, Nassau BOCES would be required to make such payment (with amounts paid later by the State or with other monies of Nassau BOCES) by January 15 (with respect to the February 15 debt service payment) and July 15 (with respect to the August 15 debt service payment).

The Basic Rent payable in connection with the Series 2011 Bonds is to be paid to the Trustee on September 1 of each year commencing on September 1, 2011 in accordance with the provisions of the Act and the terms of the Memorandum of Understanding. Basic Rent is equal to the interest and principal coming due on the next succeeding February 15 and August 15. In addition, the installment due on September 1 of any year includes the amount, if any, required to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

Direct Payment by State Comptroller

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

The State is not legally obligated to appropriate any moneys for the purpose of providing State aid or assistance to Nassau BOCES or any other BOCES. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the

amount of State aid payable to BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2011 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

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

The Series 2011 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Security for the Series 2011 Bonds

The Series 2011 Bonds will be secured by the pledge and assignment to the Trustee of Basic Rent, the proceeds from the sale of the Series 2011 Bonds (until disbursed as provided by the Resolutions) and all funds and accounts authorized by the Master Resolution and established by the Series 2011 Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund, and the Authority's security interest in the Pledged Revenues. The Series 2011 Bonds are the fourth series of bonds issued for Nassau BOCES under the Master Resolution. The Series 2011 Bonds will be paid and secured on a subordinate basis to the Outstanding Series 2009 Bonds, which were the third series of bonds issued for Nassau BOCES under the Master Resolution and the Outstanding Series 2003 Bonds, which were the second series of bonds issued for Nassau BOCES under the Master Resolution. The Series 2001A Bonds were the first series of bonds issued for Nassau BOCES under the Master Resolution. All of the Outstanding Series 2001A Bonds will be refunded with proceeds of the Series 2011 Bonds and no Series 2001A Bonds will remain Outstanding. A portion of the Series 2003 Bonds will be refunded with proceeds of the Series 2011 Bonds and a portion of the Series 2003 Bonds will remain Outstanding. See "PART 6 – THE REFUNDING PLAN." Pursuant to the terms of the Resolutions, the funds and accounts established by the Resolutions secure only the Series 2011 Bonds and do not secure any other Series of Bonds issued under the Master Resolution. See "Issuance of Additional Bonds" herein.

Bond Insurance

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the Authority or the Underwriter as to the accuracy or completeness of the information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2011 Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix F to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have

an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM’s counterparty credit and financial strength rating from “AAA” (negative outlook) to “AA+” (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On December 18, 2009, Moody’s issued a press release stating that it had affirmed the “Aa3” insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody’s comments.

There can be no assurance as to any further ratings action that Moody’s or S&P may take with respect to AGM.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on March 1, 2011, and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011.

Capitalization of AGM

At March 31, 2011, AGM’s consolidated policyholders’ surplus and contingency reserves were approximately \$ 3,058,791,206 and its total net unearned premium reserve was approximately \$ 2,285,987,748, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS - Bond Insurance".

Lease Payments

Consistent with the Act, Nassau BOCES will, pursuant to the Agreements of Lease, lease certain property on which the Projects are located to the Authority and the Authority will in turn sublease such property and the Projects back to Nassau BOCES pursuant to the Agreements. The Series 2011 Bonds are not secured by any real estate interest in the Projects. The Agreements are general obligations of Nassau BOCES. Nassau BOCES' obligations to pay Rentals under the Agreements are absolute and unconditional without any right of set-off, recoupment or counterclaim against the Authority.

The Authority has covenanted for the benefit of the Holders of the Series 2011 Bonds that it will not create, or cause to be created, any lien or charge upon the Revenues or its interest in the Pledged Revenues, the proceeds of the Series 2011 Bonds or the funds or accounts established under the Master Resolution, which is prior to, or equal to, the pledge made by the Master Resolution other than the lien or charge created in connection with the Series 2003 Bonds and the Series 2009 Bonds.

Pledge and Assignment of State Aid

As additional security for the payment of the Rentals, including Basic Rent, to the Authority, Nassau BOCES will pledge and assign to the Authority, a portion of any and all public funds payable by the State to Nassau BOCES in an amount sufficient to pay such Rentals. Nassau BOCES further agrees that all State and local officials concerned are authorized to apportion and pay to or upon the order of the Authority all such pledged funds. The pledge and assignment will be irrevocable (in accordance with the Act) and will continue until the date on which the liabilities of the Authority incurred as a result of the issuance of the Series 2011 Bonds have been paid or otherwise discharged.

Such pledge and assignment is subordinate to the pledge and assignment made by Nassau BOCES in order to secure the Outstanding Series 2003 Bonds and Outstanding Series 2009 Bonds. As a result, any State funds payable to Nassau BOCES and received by the Trustee shall be applied first to the payments to be made by Nassau BOCES for Outstanding Series 2003 Bonds, second to the payments to be made by Nassau BOCES for Outstanding Series 2009 Bonds, and third to the payments to be made by Nassau BOCES for the Series 2011 Bonds. All of the Outstanding Series 2001A Bonds will be refunded with proceeds of the Series 2011 Bonds and other monies and no Series 2001A Bonds will remain Outstanding. A portion of the Series 2003 Bonds will be refunded with proceeds of the Series 2011 Bonds and a portion of the Series 2003 Bonds will remain Outstanding. See "PART 6 – THE REFUNDING PLAN."

Debt Service Reserve Fund

The Master Resolution requires that the Debt Service Reserve Fund be maintained at its requirement, which is an amount, with respect to a Series of Bonds, equal to one-half of the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds of such Series payable during such year.

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

Issuance of Additional Bonds

In addition to the Series 2011 Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for Nassau BOCES and other BOCES for other specified purposes, including refunding the Outstanding Bonds issued under the Master Resolution. Each Series of Bonds issued under the Master Resolution will be separately secured by the pledge and assignment of the Applicable Revenues, the Authority's interest in the Applicable Pledged Revenues, the proceeds from the sale of such Series of Bonds and all funds and accounts (with the exception of the Arbitrage Rebate Fund) authorized by the Applicable Series Resolution. Any additional Series of Bonds issued to finance or refinance a project for Nassau BOCES would be paid and secured on a subordinate basis to the Series 2011 Bonds unless otherwise consented to by a majority of the holders of the Series 2011 Bonds. Therefore, to the extent Pledged Revenues or Nassau BOCES payments of Basic Rent were insufficient to pay for the Outstanding Series 2003 Bonds, the Outstanding Series 2009 Bonds and the Outstanding Series 2011 Bonds and such additional Bonds, amounts would be applied first to pay the Outstanding Series 2003 Bonds, the Outstanding Series 2009 Bonds and the Outstanding Series 2011 Bonds and then such additional Bonds.

General

The Series 2011 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 8 – THE AUTHORITY."

Defaults and Remedies under the Agreements

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

Defaults and Remedies under the Master Resolution

"Events of Default" under the Master Resolution include: (i) the failure to pay principal, Sinking Fund Installments, if any, or Redemption Price of, and interest on the Bonds when due; (ii) the failure to comply with the provisions of the Code applicable to the Series 2011 Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code, with the result that interest on the Series 2011 Bonds is no longer excludable from the gross income of the Holders thereof; and (iii) a default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolutions or in the Series 2011 Bonds on the part of the Authority to be performed and such default continues for 30 days after written notice specifying such default and requiring same to be remedied will have been given to the Authority by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Holders of not less than 25% in principal amount of such Outstanding Series 2011 Bonds, unless, if such default is not capable of being cured within 30 days, the Authority has commenced to cure such default within said 30 days and diligently prosecutes the cure thereof.

The Resolutions provide that if an "event of default" occurs and continues, the Trustee may proceed, and upon the written request of the Insurer or the Applicable Facility Provider of a Reserve Fund Facility or the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2011 Bonds (in either case, with the consent of the Insurer), or, in the case of a happening and continuance of an "event of default" specified in clause (ii) above, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2011 Bonds (with the consent of the Insurer), the Trustee will proceed (subject to the provisions of the Master Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolutions or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolutions or in aid or execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an

express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee deems most effectual to protect and enforce such rights. In no event will an “event of default” cause an acceleration of the Series 2011 Bonds under the Resolutions.

With respect to the Insured Bonds, so long as the Insurer is not in default under the Policy, the Trustee will exercise remedies at the direction of the Insurer and will not exercise remedies at the direction of the Holders of the Insured Series 2011 Bonds without the consent of the Insurer.

In the enforcement of any remedy under the Resolutions, the Trustee may sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolutions or of the Series 2011 Bonds, with interest on overdue payments of the principal of or interest on the Series 2011 Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolutions and under such Series 2011 Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Series 2011 Bonds and to recover and enforce a judgment or decree against the Authority but solely as provided in the Resolutions and in such Series 2011 Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

PART 3 – THE SERIES 2011 BONDS

Description of the Series 2011 Bonds

The Series 2011 Bonds will be issued pursuant to the Master Resolution, will be dated the date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2011 Bonds will be issued as fully registered bonds. The Series 2011 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2011 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2011 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2011 Bonds, the Series 2011 Bonds will be exchangeable for other fully registered Series 2011 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Master Resolution. See “Book Entry Only System” herein and “Appendix D – Summary of Certain Provisions of the Master Resolution.”

Interest on the Series 2011 Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as it appears on the registry books held by the Trustee, provided however, that interest on the Series 2011 Bonds may be authorized to be paid at the option of a Holder of at least \$1,000,000 in principal amount of the Series 2011 Bonds by wire transfer to the Holder of such Series 2011 Bonds, each as of the close of business on the February 1 and August 1, as applicable, next preceding an interest payment date. The principal or redemption price of the Series 2011 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, the Trustee and Paying Agent. As long as the Series 2011 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein.

For a more complete description of the Series 2011 Bonds, see “Appendix D – Summary of Certain Provisions of the Master Resolution.”

Redemption Provisions

The Series 2011 Bonds are subject to special redemption as described below. The Series 2011 Bonds are not subject to optional redemption prior to maturity, nor are they subject to purchase in lieu of redemption.

Special Redemption

The Series 2011 Bonds are subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of the Authority on any interest payment date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project being refinanced by the Series 2011

Bonds or upon the abandonment of the Project being refinanced by the Series 2011 Bonds due to a legal or regulatory impediment.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011 Bond certificate will be issued for each maturity of the Series 2011 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011 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 2011 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 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011 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 2011 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2011 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 2011 Bonds within a maturity 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 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2011 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 the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2011 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, and interest on, the Series 2011 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2011 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2011 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2011 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2011 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2011 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2011 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2011 BONDS.**

So long as Cede & Co. is the registered owner of the Series 2011 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2011 Bonds (other than under the caption "PART 11—TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2011 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2011 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.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2011 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2011 Bonds, or (ii) a continuation of the requirement that all of the Outstanding Series 2011 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2011 Bond certificates will be delivered as described in the Resolutions and the Bond Series Certificate.

NEITHER THE AUTHORITY, NASSAU BOCES NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2011 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2011 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2011 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2011 BONDS; OR (VI) ANY OTHER MATTER.

Debt Service Requirements

The following table sets forth the amounts required to be paid by Nassau BOCES during each twelve month period ending August 15 of the Bond Years shown for the payment of debt service on the Series 2011 Bonds, the Series 2009 Bonds, the Series 2003 Bonds and the total debt service on Outstanding Nassau BOCES Bonds. Nassau BOCES is required to pay on September 1 of each year an amount equal to the debt service on the Outstanding Nassau BOCES Bonds on the succeeding February 15 and August 15. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS.”

12-Month Period Ended August 15	Debt Service Requirements on Series 2011 Bonds	Debt Service Requirements on Series 2009 Bonds	Debt Service Requirements on Series 2003 Bonds*	Total Debt Service on Outstanding Nassau BOCES Bonds*
2011	\$ 245,167	\$ 1,439,181	\$ 987,030	\$ 2,671,378
2012	2,883,250	1,434,981	990,580	5,308,811
2013	2,884,850	1,435,331	986,605	5,306,786
2014	2,879,800	1,438,331	991,225	5,309,356
2015	2,884,400	1,438,081	989,030	5,311,511
2016	3,670,800	1,436,081	200,150	5,307,031
2017	2,844,300	1,437,331	1,030,150	5,311,781
2018	3,712,050	1,438,713	166,950	5,317,713
2019	3,706,550	1,436,213	166,950	5,309,713
2020	3,703,750	1,436,713	166,950	5,307,413
2021	2,698,500	1,434,963	1,171,950	5,305,413
2022		1,438,413	1,174,188	2,612,600
2023		1,434,488	1,173,538	2,608,025
2024		1,438,425		1,438,425
2025		1,434,750		1,434,750
2026		1,435,750		1,435,750
2027		1,438,750		1,438,750
2028		1,438,500		1,438,500

* Amounts give effect to the defeasance and refunding of the Refunded Bonds.

PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES

General Description of BOCES

The ability to create a Board of Cooperative Educational Services was first established in 1948 and is found in sections 1950 and 1951 of the State Education Law. Initially, the legislation was aimed at enabling small rural school districts to combine their resources to provide services that otherwise would have been uneconomical, inefficient or unavailable. Under the legislation, BOCES are formed regionally (usually by a county or adjoining counties) as a consortium of the public school districts within the region. At present there are 37 BOCES, serving 688 of the 697 school districts in the State. BOCES membership is not available to the five large city school districts in the State: New York City, Buffalo, Rochester, Yonkers and Syracuse.

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

The number of school districts comprising an individual BOCES varies. In each case, the territory within which each BOCES operates encompasses the territory of its component school districts. A school district may decide to join an established BOCES by vote of its board of education without voter approval. Once it has joined,

however, a school district may not withdraw and is thereafter obligated for its share of BOCES administrative and capital expenses (including the Rentals due to the Authority under an applicable agreement).

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

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

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

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

General Education, including summer school.

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

Special Education - Educational services for children with special needs.

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

Education in the Arts

Environmental Education

State Aid to BOCES

A BOCES has no taxing authority and except for certain Federal grants and payments for services rendered under certain contracts with public agencies, colleges and other entities, derives all of its financial support for operations from its component school districts and the State. State law provides that State aid is paid to a BOCES, and then is to be paid by the BOCES to the component school districts to partially reimburse them for payments made to the BOCES, based upon the amount paid by the component school districts for program services and administrative and capital expenses. The component school districts pay for these expenses through real property tax levies. Program services are funded by component school districts based on the district's participation in a specific program. Administrative and capital expenses of a BOCES (including the Rentals due to the Authority under an applicable agreement) are shared on a pro rata apportioned basis (based on attendance or enrollment formulas or property values) by the component school districts. Though the Commissioner may designate Rentals due to the Authority as either administrative or capital expenses, for purposes of apportionment of public monies to the BOCES, such payments shall be aided in the same manner as administrative expenses (subject to certain exceptions outlined below). All State aid payable to a BOCES, including services aid and facilities aid, as well as administrative aid, is available to be applied to pay Rentals.

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

BOCES Services Aid

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

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

The audited cost then becomes the basis on which State aid is calculated. These moneys are then paid to the BOCES in the school year following the school year in which the service was provided. The BOCES, in turn, allocates and pays this money to the component school districts as a reimbursement in the same school year that the BOCES receives it from the State. Therefore, in any given year, a school district will be paying to the BOCES its share of the estimated cost of the program it is currently participating in and will also be receiving moneys from the BOCES from State aid intended to partially reimburse such school districts for its share of audited educational costs paid by it to the BOCES in the prior year.

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

BOCES Administrative Aid

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

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

BOCES Facilities Aid

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

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

its share of facilities expenses, with State aid reimbursing a portion of the school district's share of the costs of approved projects.

State Appropriations

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

All of the State aid payable to BOCES is subject to intercept by the State Comptroller under the Act up to the amount of the Rentals payable by a BOCES under its agreement with the Authority. *While the BOCES program has received State aid in each year since its inception, both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2011 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.*

Obligations of Component School Districts

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

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

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

PART 5 – NASSAU BOCES

History

Nassau BOCES was established on January 19, 1967 and provides shared services to the county's 56 school districts that together have more than 300 schools and approximately 221,000 students. Nassau BOCES shared services are intended to enhance local district educational programs and to provide educational programs to

component school districts which individual school districts could not provide efficiently or economically on their own. Thus, BOCES programs generally offer advantages to school districts of specialization and economy of scale.

Operations

Nassau BOCES programs and services for school districts are divided into five divisions comprised of the following departments:

Special Education – Offers a spectrum of programs for children who are moderately to severely impaired, from birth to age 21. Center-based programs serve children with appropriate educational programs and a full range of therapies, with the goal of equipping children to live productive and independent lives. This department also provides support services to help districts meet their special education students' needs in their own schools.

Career and Technical Education/ Instructional Programs and Alternative Schools – Offers an array of career-preparation programs for high school students and adults, with components ranging from career counseling and evaluation to the teaching of job-finding skills. Grant funding supports a number of programs for adults and school-to-career initiatives. Specialized programs offer support for specific groups such as recent immigrants and those with mild disabilities. In addition, the department runs four alternative schools for high school-age students. These include the Long Island High School for the Arts for students who are gifted in the arts; the Teenage Parenting Program for teenage mothers; the Program for Comprehensive Alternative Education; and the Positive Alternative Twilight School, which are designed to help students who are struggling in high school. Other instructional opportunities include summer enrichment programs in the arts, marine biology, foreign language, archaeology, outdoor education and writing.

Curriculum, Instruction and Technology – Integrates the areas of curriculum, instruction and instructional technology. Designed to be a cohesive force for instructional planning with school districts, the department is able to address district needs and provide a single clear-cut line of access for support in related areas. Staff members within this department work together to help local districts integrate technology into instructional programs. Seeking to assist educators in their efforts to help students meet the new higher standards, the department's comprehensive, year round, professional development program provides teachers and administrators with the latest information about instructional strategies, new assessment tools and curriculum development. The department's services are loosely grouped as: 1) Planning and Assessment, 2) Professional Development, 3) Instructional Technology, and 4) Library Resources and Educational Communications.

Business Services – Comprises all of the functions related to the financial management of Nassau BOCES, including budgeting, payroll, billing and purchasing, software maintenance plus the Transportation and Food Services offices. The department includes the Graphic Arts and Printing program which produces a wide variety of printed materials. The department also offers a Co-operative Bidding Program that offers school districts access to joint, high-volume bids.

Human Resources – Manages the recruitment, hiring and retention of Nassau BOCES personnel, and provides support to all Nassau BOCES departments in employee relations, staff development and other human resources concerns. The department also makes available several services to school districts: the Regional Certification Office, Teacher Recruitment, an employee assistance program consortium a fingerprinting service.

Governance

Nassau BOCES carries out its programs through a nine-member board and a staff of approximately 2,800 salaried staff members, supplemented by 1,900 hourly and/or daily employees. The Nassau BOCES Board is made up of nine members representing the component districts within the Nassau BOCES area, and generally, with certain exceptions, no more than one member may reside within the boundaries of a particular school district. Nassau BOCES Board members are elected by the boards of education of the 56 component school districts, and each serves for a period of three years, unless appointed or elected in a special election to serve out the term of office of a Nassau BOCES Board member who has resigned. They serve without compensation, but are reimbursed for some expenses incurred in carrying out their responsibilities.

All authority rests with the Nassau BOCES Board as a whole, and not with any individual member or any group of members in any committee. The Nassau BOCES Board has responsibility for the governance of Nassau BOCES and for all final policy decisions.

The current members of the Board of Cooperative Educational Services of Nassau County are as follows:

STEPHEN B. WITT, President – Stephen B. Witt has been a Nassau BOCES Board member since 1996. He recently completed a term as President of the N-SSBA and formerly served as its Vice President and Treasurer. He was a Member and Vice President of the Hewlett-Woodmere School Board for 12 years and was recently awarded that district's annual Distinguished Service Award. He was appointed to the Governor's five-member STAR School District Cash Flow Commission in 1997, and has served on the Commissioner's Advisory Council, the Long Island Educational Coalition, and the Long Island Association's Regional Advisory Board. Mr. Witt holds a B.S. in Accounting and an M.B.A. degree. He is a retired executive of J.P. Morgan. In addition, he coaches football at Hewlett High School. Mr. Witt's term will expire in 2011.

ERIC B. SCHULTZ, Esq., Vice President – Eric B. Schultz, Esq. was named a Nassau BOCES Board member in January 2001. He served on the Plainview-Old Bethpage Board of Education from July 1988 to June 2000, and held the positions of President and Vice President. Mr. Schultz received the Distinguished Board Services Award from the N-SSBA and was a member of its Executive Committee from 1993 to 2000. He is a graduate of Brooklyn Law School and has a B.A. Cum Laude from Brooklyn College, the City University of New York. Since 1998, Mr. Schultz has headed his own law firm, specializing in all areas of real estate law and serving as corporate counsel to businesses including cooperative corporations. His term expires in 2011.

SUSAN BERGTRAUM, District Clerk– Susan Bergtraum has been a Nassau BOCES Board member since July 2006. She is a member of the Board of Directors for the New York State School Boards Association (NYSSBA) where she also serves as chair of the NYSSBA Student Health and Safety Task Force and is a member of the State Legislative Network. She is a past President and Vice-President of the Nassau-Suffolk School Boards Association (N-SSBA) and currently sits on N-SSBA's Executive, Legislation, Finance and Member Board-in-Service committees. She was a member of the East Williston School Board from 1991 to 2006 and is the co-founder and a trustee of the East Williston Educational Foundation. She completed both her undergraduate and graduate studies at Queens College where she received her bachelor's in education and her master's in school psychology. Her term expires in 2012.

MICHAEL WEINICK, Vice District Clerk- Michael Weinick has been a Nassau BOCES Board member since July of 2003. He served on the Merrick Union Free School District Board of Education from 1986-2002. He has been an active member of the Nassau-Suffolk School Boards Association, having served on the Executive Committee (2000-2002), Finance Committee (2000-2002) and the Distinguished Service Award Committee (2001-2002). Mr. Weinick is a graduate of Brooklyn College, holds a masters degree from Long Island University and has a professional diploma from C. W. Post. Mr. Weinick's term will expire in 2012.

DEBORAH COATES – Deborah Coates has been a member of the Nassau BOCES Board since 2008. She served on the East Meadow Union Free School District Board of Education and held the positions of President and Vice President. Mrs. Coates has served on the Board of Directors for Reform Education Finance Inequities Today (REFIT) since 2004. Mrs. Coates is an active community member serving as Vice President of the Community Association of Stewart Avenue and as the chairperson of the Nassau County Jail Advisory Committee. She is also a member of the local chapter of Kiwanis International and the East Meadow Chamber of Commerce. Her term will expire in 2011.

RONALD J. ELLERBE – Ronald J. Ellerbe was elected to the Nassau BOCES Board by local school districts in September 2007. He has been a Board member for the Freeport Public Schools since 1996, has served as vice president since 2006, and was president from 2000 to 2001. He is active in the New York State School Boards Association (NYSSBA), where he sits on the Resolutions and State Legislative Network committees. He is a member of the Nassau-Suffolk School Board Association's (N-SSBA) executive board and has served on several committees, including the legislative and finance committee. He is a graduate of Fordham University and holds a master's in public administration from Long Island University, C.W. Post. He also has a Master of Boardmanship from NYSSBA. His term expires in 2013.

MARTIN R. KAYE – Martin R. Kaye was elected to the Nassau BOCES Board by local school districts in July 2009. He served on the West Hempstead Board of Education from 1991 to 2010 holding leadership positions, including president and vice-president. He is an active member of Nassau-Suffolk School Board Association's (N-

SSBA) and has been a legislative liaison for the State Legislative Network since 1998 and a voting delegate at the NYSSBA annual convention since 1992. He has received numerous awards, including a certificate of Achievement and Merit, an Award of Distinction, the Developmental Achievement Citation and the Master of Boardmanship Award. He is a graduate of Fairleigh Dickinson University and holds a bachelor's degree in history and a master's degree in political science. He is the owner of Meridian Industries Inc. and Intercollegiate Designs Inc. His term expires in 2012.

ROBERT B.A. SCHOEN – Robert B.A. Schoen was elected to the Nassau BOCES Board by local school districts in August 2009. He has served on the Baldwin Board of Education since 1996 holding the positions of president and vice president. He served for three terms as the president of Reform Education Finance Inequities Today and is currently a trustee. He was also a board member of the Long Island Education Coalition. He has served on the Federal Relations Network and State Legislative Network. He was a member of the State Task Force for Sound Basic Education, which is part of the Campaign for Fiscal Equity lawsuit resolution process. He has received numerous honors including the New York State United Teachers Friend of Education Award and the Nassau-Suffolk School Boards Association Distinguished Service Award. He earned a bachelor's degree at Moorhead State College. His term expires in 2013.

GALE ROSS SRULEVICH – Gale Ross Srulevich, a member of the Nassau BOCES Board since 1998, is the former Vice President of the Lawrence School Board and a Trustee of BOCES. She serves on local (N-SSBA), State (NYSSBA), and National (NSBA) School Boards Associations; sits on the NYSSBA Executive Board and Legislation Committee; and is the NYSSBA's alternate representative to the President's Council. Mrs. Srulevich is active in the NSBA as a member of the Federal Relations Network, the School Board of Tomorrow E-mail Group, the Technology+Learning Focus Group, and the National Affiliate Advocacy Network. She has presented at NSBA, Association of Educational Service Agencies (AESA), and NYSSBA workshops and New Board Member Orientations. Mrs. Srulevich continues to contribute to the AESA. In her local community of Lawrence, she was Governor of the Lawrence Association and Trustee of the Five Towns Community Center and YM & YWCA. She holds a degree in science and mathematics. Professionally, Mrs. Srulevich was the legislative aide for the Nassau County Legislature's presiding officer, and has been the legislative committee's coordinator. Her term expires in 2013.

The principal administrative staff members of Nassau BOCES are as follows:

DR. THOMAS L. ROGERS, District Superintendent – Dr. Rogers holds the dual position of Chief Executive Officer of Nassau BOCES and District Superintendent of Schools of the Sole Supervisory District of Nassau County. His responsibilities included leading Nassau BOCES and serving as the statutory representative of the Commissioner of Education and the State Education Department in the Nassau County Supervisory District. He also serves as the Interim District Superintendent of Eastern Suffolk BOCES and Interim District Superintendent of Western Suffolk BOCES. Prior to coming to Nassau BOCES, Dr. Rogers was the Executive Director of the New York State Council of School Superintendents, the statewide professional association for chief school officers. During his tenure, the Council launched the "Education is a Civil Right" campaign to improve public education equity, created the Leadership for Educational Achievement Foundation (LEAF) professional development academy, and co-founded Public Schools for Tomorrow, a national organization of education leaders advocating for education policy innovation. Dr. Rogers received doctoral and master's degrees in Educational Leadership at Columbia University Teachers College and a B.S. in Biochemistry from the University at Buffalo. He serves as a Commissioner on the Middle States Commission on Elementary and Secondary Schools.

DR. ROBERT J. HANNA, Deputy Superintendent – Dr. Hanna's responsibilities include administrative oversight of a wide range of instructional and support functions as well as the direct supervision of the following Nassau BOCES departments: Human Resources; Facilities; and the Department of Strategic Initiatives. Dr. Hanna has been with Nassau BOCES since June 2007. Prior to coming to Nassau BOCES, he served as District Superintendent at Orange-Ulster BOCES for five years, Superintendent of Schools at Sauquoit Valley Central School for nine years and Superintendent of Schools for Hartford Central School for five years. Dr. Hanna earned his bachelor's degree at SUNY Geneseo, his master's degree from St. Bonaventure University and a PhD from University of Albany.

JOAN S. SIEGEL, Associate Superintendent, Business Services – The Associate Superintendent of Business Services is the Chief Financial Officer of Nassau BOCES. Appointed as of August 1, 2001, Ms. Siegel has responsibility for the development, direction and implementation of policies, practices and plans for accounting, budgets, purchasing, transportation and food services. She assures that public funds entrusted to Nassau BOCES are utilized effectively and with integrity. Ms. Siegel previously served as the Nassau BOCES internal auditor and earlier worked in public accounting for Coopers & Lybrand, among other firms. Ms. Siegel holds an M.B.A. from Pace University and earned her undergraduate degree at the City College of New York.

Facilities

Nassau BOCES presently occupies approximately 1,142,000 square feet in seven buildings that it owns; ten buildings leased in their entirety (from both local school districts and commercial landlords); a number of leases for portions of buildings, and many individual classrooms in local school buildings.

Financial Information

Funding of Nassau BOCES comes from the 56 component school districts. Each pays a proportional share of Nassau BOCES administrative expenses (based on either attendance or enrollment formulas) through tax levies, and local school boards vote on its administrative budget each spring. The portion of the budget allocated to payments to the Authority, however, is not subject to such vote of the local school boards. The 2010/11 and 2011/2012 administrative budgets were approved by overwhelming margins. Nassau BOCES programs are funded by the districts based on each component school district's program use. The State gives the component school districts BOCES aid moneys to partially reimburse them for BOCES services and administrative expenses.

The following chart shows, for the school year ending June 30, 2010, for each component school district, (a) the total amount payable from the school district to Nassau BOCES and the percentage such amount represents of Nassau BOCES' overall receipts from component school districts, and (b) the proportionate share of Nassau BOCES administrative expenses paid by such component school district and the percentage such amount represents of Nassau BOCES' overall administrative expenses.

Component School Districts' Share of BOCES Expenses (2009-2010)

<u>Component School District</u>	<u>Total Amount Paid to BOCES</u>	<u>Percentage Share of Total BOCES Receipts</u>	<u>Amount Allocated to Administrative Expenses</u>	<u>Percentage Share of Administrative Expenses</u>
Baldwin	\$9,372,798	3.42%	\$444,169	2.63%
Bellmore	1,120,343	0.41%	85,089	0.50%
Bellmore-Merrick	8,800,861	3.21%	558,180	3.31%
Bethpage	4,129,986	1.51%	251,691	1.49%
Carle Place	1,753,044	0.64%	121,697	0.72%
East Meadow	14,980,298	5.46%	635,125	3.76%
East Rockaway	1,823,930	0.66%	102,442	0.61%
East Williston	1,901,849	0.69%	154,805	0.92%
Elmont	2,530,375	0.92%	288,832	1.71%
Farmingdale	10,956,678	3.99%	513,504	3.04%
Floral Park	937,329	0.34%	99,322	0.59%
Franklin Square	1,112,357	0.41%	141,942	0.84%
Freeport	11,772,448	4.29%	519,593	3.08%
Garden City	2,725,824	0.99%	344,315	2.04%
Glen Cove City	2,799,505	1.02%	238,600	1.41%
Great Neck	4,219,854	1.54%	546,611	3.24%
Hempstead	17,327,132	6.31%	484,583	2.87%
Herricks	3,129,786	1.14%	335,182	1.99%
Hewlett-Woodmere	3,801,717	1.39%	253,137	1.50%
Hicksville	6,092,930	2.22%	434,656	2.58%
Island Park	2,964,409	1.08%	82,273	0.49%
Island Trees	4,344,436	1.58%	221,324	1.31%
Jericho	2,358,492	0.86%	267,065	1.58%
Lawrence	6,205,279	2.26%	236,241	1.40%
Levittown	7,517,265	2.74%	617,620	3.66%
Locust Valley	2,423,034	0.88%	185,172	1.10%
Long Beach	6,065,536	2.21%	313,186	1.86%
Lynbrook	4,484,324	1.63%	254,202	1.51%
Malverne	4,600,537	1.68%	137,148	0.81%
Manhasset	2,671,438	0.97%	237,915	1.41%
Massapequa	9,980,196	3.64%	659,252	3.91%
Merrick	1,715,922	0.63%	130,983	0.78%
Mineola	3,561,424	1.30%	203,971	1.21%
New Hyde Park	1,089,351	0.40%	120,936	0.72%
North Bellmore	2,386,902	0.87%	165,003	0.98%
North Merrick	1,269,211	0.46%	98,408	0.58%
North Shore	3,123,790	1.14%	238,600	1.41%
Oceanside	5,090,480	1.86%	515,711	3.06%
Oyster Bay	1,783,811	0.65%	127,710	0.76%
Plainedge	4,886,246	1.78%	287,690	1.71%
Plainview	5,378,447	1.96%	421,337	2.50%
Port Washington	5,512,903	2.01%	400,787	2.38%
Rockville Centre	4,974,864	1.81%	294,844	1.75%
Roosevelt	5,913,895	2.16%	217,366	1.29%
Roslyn	2,588,471	0.94%	289,136	1.71%
Seaford	3,062,801	1.12%	213,256	1.26%
Sewanhaka	10,205,080	3.72%	770,675	4.57%
Syosset	5,041,434	1.84%	563,203	3.34%
Uniondale	10,868,998	3.96%	511,069	3.03%
Valley Stream #13	1,353,933	0.49%	161,959	0.96%
Valley Stream #24	1,234,740	0.45%	85,318	0.51%
Valley Stream #30	1,753,946	0.64%	105,943	0.63%
Valley Stream CHSD	8,754,117	3.19%	418,368	2.48%
Wantagh	3,137,532	1.14%	291,496	1.73%
West Hempstead	4,669,740	1.70%	175,430	1.04%
Westbury	10,123,145	3.69%	295,529	1.75%
	\$274,385,178*	100.00%	\$16,869,600*	100.00%

* Totals may not add due to rounding.

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

Nassau BOCES Revenues and Expenses

	School Year Ending <u>June 30, 2006</u>	School Year Ending <u>June 30, 2007</u>	School Year Ending <u>June 30, 2008</u>	School Year Ending <u>June 30, 2009</u>	School Year Ending <u>June 30, 2010</u>
General Fund Revenue	\$227,273,231	\$237,579,850	\$263,744,944	\$277,085,790	\$280,664,397
General Fund Expenditures	<u>(221,553,272)</u>	<u>(226,127,811)</u>	<u>(251,476,872)</u>	<u>(266,538,849)</u>	<u>(269,004,277)</u>
Fiscal Year Surplus	\$ 5,719,959	\$ 11,452,039	\$ 12,268,072	\$ 10,546,941	\$ 11,660,120

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

State Aid Appropriations to Nassau BOCES

School Year <u>Ending June 30,</u>	<u>State Aid</u>
2010	\$45,932,544
2009	\$46,054,074
2008	\$38,846,397
2007	\$41,264,458
2006	\$41,563,187

Future Financing Plans

Nassau BOCES leased most of its space prior to 1999, at which time it determined that it would be advantageous to own property instead of leasing it. At the present time Nassau BOCES has no specific plans to purchase other facilities but is continuing to assess opportunities to save its component school districts money following this strategy.

Any additional Series of Bonds issued to finance or refinance a project for Nassau BOCES would be paid and secured on a subordinate basis to the Series 2001A Bonds (if any), the Series 2003 Bonds, the Series 2009 Bonds and the Series 2011 Bonds unless otherwise consented to by a majority of the Bondholders.

Litigation

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

PART 6 – THE REFUNDING PLAN

The Refunding Plan consists of the refunding of all of the Outstanding Series 2001A Bonds (the "Series 2001A Refunded Bonds") and a portion of the Outstanding Series 2003 Bonds (such portion of Series 2003 Bonds to be refunded, the "Series 2003 Refunded Bonds" and together with the Series 2001A Refunded Bonds, the "Refunded Bonds"). A portion of the proceeds of the Series 2011 Bonds will be used to currently refund all of the Outstanding

Series 2001A Bonds and to advance refund a portion of the Outstanding Series 2003 Bonds. The Refunded Bonds were issued on behalf of Nassau BOCES for the Projects described in more detail A portion of the proceeds of the Series 2011 Bonds and other funds will provide moneys sufficient to pay the redemption price of the Series 2001A Refunded Bonds and the interest on the Series 2001A Refunded Bonds on the date fixed for redemption. Such portion of the proceeds of the Series 2011 Bonds and other funds will either remain uninvested from the date of issuance of the Series 2011 Bonds until the date fixed for redemption, or will be used to acquire non-callable direct obligations of the United States of America (“Investment Securities”) maturing on or before such redemption date. An additional portion of the proceeds of the Series 2011 Bonds will be used to acquire Investment Securities. The principal of and interest on such Investment Securities will be applied to pay interest on the Series 2003 Refunded Bonds prior to the date fixed for redemption and to pay the redemption price of the Series 2003 Refunded Bonds and the interest on the Series 2003 Refunded Bonds on the date fixed for redemption. See “PART 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS.” All of the Outstanding Series 2001A Bonds will be refunded with proceeds of the Series 2011 Bonds and other monies and no Series 2001A Bonds will remain Outstanding. A portion of the Series 2003 Bonds will be refunded with proceeds of the Series 2011 Bonds and a portion of the Series 2003 Bonds will remain Outstanding.

A portion of the proceeds from the issuance of the Series 2001A Bonds was used to finance the costs of the (i) construction, reconstruction, expansion and improvements relating to the school facility located in Westbury Center, New York, (ii) acquisition, renovation and improvements relating to the school facility located in Hicksville, New York and (iii) acquisition, renovation and improvements relating to the school facility located in Greenvale, New York.

A portion of the proceeds from the issuance of the Series 2003 Bonds was used to finance the acquisition of a condominium interest in and improvements to a portion of the property located at 71 Clinton Road, Garden City, New York for utilization as office space by Nassau BOCES.

The Investment Securities will be deposited with the trustee under the Master Resolution for the Refunded Bonds upon the issuance and delivery of the Series 2011 Bonds and will be held in trust solely for the payment of the redemption price of and interest on the Refunded Bonds. At the time of or prior to such deposit, the Authority will give such trustee irrevocable instructions to give notice of the refunding and redemption of the Refunded Bonds and to apply the proceeds from the Investment Securities together with any initial cash deposit to the payment of the redemption price of and interest on the Refunded Bonds. In the opinion of Bond Counsel, upon making such deposits with such trustee and the issuance of certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the Master Resolution, be deemed to have been paid and will no longer be outstanding under the Master Resolution and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by the Master Resolution to the Refunded Bonds shall be discharged and satisfied.

PART 7 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of the Series 2011 Bonds	\$24,785,000
Net Original Issue Premium	2,449,586
Transfer from Series 2001A Bonds Funds and Accounts	<u>3,859,642</u>
Total Sources	\$31,094,228

Uses of Funds

Deposit to Refunding Escrows	\$28,536,048
Deposit to the Debt Service Reserve Fund	1,856,025
Costs of Issuance ¹	507,696
Underwriter’s Discount	<u>194,459</u>
Total Uses	\$31,094,228

¹ Includes bond insurance premium, certain legal fees, issuer fees, rating agency fees and other expenses.

PART 8 – THE AUTHORITY

Background, Purposes and Powers

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

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

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

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

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

At March 31, 2011, the Authority had approximately \$43.4 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority’s bonds and notes is paid from

moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at March 31, 2011 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities.....	\$ 2,478,656,000	\$ 1,139,920,000	\$ 0	\$ 1,139,920,000
State University of New York Educational and Athletic Facilities.....	14,369,077,999	6,410,091,657	0	6,410,091,657
Upstate Community Colleges of the State University of New York.....	1,644,630,000	688,210,000	0	688,210,000
Senior Colleges of the City University of New York.....	10,799,906,762	3,565,501,213	0	3,565,501,213
Community Colleges of the City University of New York.....	2,548,418,350	538,098,787	0	538,098,787
BOCES and School Districts.....	2,785,881,208	2,094,945,000	0	2,094,945,000
Judicial Facilities.....	2,161,277,717	692,952,717	0	692,952,717
New York State Departments of Health and Education and Other.....	6,713,455,000	4,519,820,000	0	4,519,820,000
Mental Health Services Facilities.....	8,306,980,000	3,942,415,000	0	3,942,415,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	<u>1,146,845,000</u>	<u>743,800,000</u>	<u>0</u>	<u>743,800,000</u>
Totals Public Programs.....	<u>\$ 53,728,603,036</u>	<u>\$ 24,335,754,374</u>	<u>\$ 0</u>	<u>\$ 24,335,754,374</u>
Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions.....	\$ 20,260,139,952	\$ 10,783,183,869	\$ 30,730,000	\$ 10,813,913,869
Voluntary Non-Profit Hospitals.....	14,799,954,309	7,495,920,000	0	7,495,920,000
Facilities for the Aged.....	2,010,975,000	720,345,000	0	720,345,000
Supplemental Higher Education Loan Financing Program.....	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals Non-Public Programs.....	<u>\$ 37,166,069,261</u>	<u>\$ 18,999,448,869</u>	<u>\$ 30,730,000</u>	<u>\$ 19,030,178,869</u>
Grand Totals Bonds and Notes.....	<u>\$ 90,894,672,297</u>	<u>\$ 43,335,203,243</u>	<u>\$ 30,730,000</u>	<u>\$ 43,365,933,243</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2011, the Agency had approximately \$263 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency’s bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at March 31, 2011 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 2,480,000
Insured Mortgage Programs	6,625,079,927	256,590,000
Revenue Bonds, Secured Loan and Other Programs.....	<u>2,414,240,000</u>	<u>3,965,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 263,035,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 263,035,000</u>

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he 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 directed overall staff management of the Foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. 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 expires on March 31, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

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

Jacques Jiha was appointed as a Member of the Authority 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 a member of the Board of Directors at Ronald McDonald House of New York. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the State's chief investment officer, he managed the assets of the NY Common Retirement Fund, valued at \$120 billion, and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. 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.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. By appointment of the Appellate Division, First Department, Mr. Moerdler serves as Vice Chair of the Committee on Character and Fitness and as a Member of the Departmental Disciplinary Committee. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation as well as the Metropolitan Transportation Authority and is a member of the New York City Board of Collective Bargaining. He holds a Bachelor of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino

received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's term expired on August 31, 2010 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Ronski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. 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. Ronski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Ronski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Ronski 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.

Dr. Hedges was appointed as a Member of the Authority 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. Dr. Hedges previously served as the Director of Fiscal Studies of the 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 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.

DAVID M. STEINER, Ph.D., *Commissioner of Education of the State of New York, Albany; ex-officio.*

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State's entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford University. In April, 2011, Dr. Steiner announced his intention to resign as Commissioner of Education later in 2011.

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.*

Mr. 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. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of the Authority. Mr. Williams is responsible for the overall management of the Authority'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 thereto, 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 practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. 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 the Authority, and assists the President in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10

years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority'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, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of

funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2011 Bonds.

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2010. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 – LEGALITY OF THE SERIES 2011 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2011 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries of the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual public benefit corporations and authorities of the State may limit the investment of funds of such authorities in the Series 2011 Bonds.

The Series 2011 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 – NEGOTIABLE INSTRUMENTS

The Series 2011 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Master Resolution and in the Series 2011 Bonds.

PART 11 – TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2011 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2011 Bonds is exempt from personal income taxes of the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2011 Bonds is less than the amount to be paid at maturity of such Series 2011 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2011 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2011 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2011 Bonds is the first price at which a substantial amount of such maturity of the Series 2011 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the

capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2011 Bonds accrues daily over the term to maturity of such Series 2011 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2011 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2011 Bonds. Beneficial Owners of the Series 2011 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2011 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2011 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2011 Bonds is sold to the public.

Series 2011 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2011 Bonds. The Authority and Nassau BOCES have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2011 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2011 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2011 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2011 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2011 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2011 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes of the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2011 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 from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2011 Bonds. Prospective purchasers of the Series 2011 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series 2011 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or Nassau BOCES, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and Nassau BOCES have covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Series 2011 Bonds ends with the issuance of the Series 2011 Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, Nassau BOCES or the Beneficial Owners regarding the tax-exempt status of the Series 2011 Bonds in the event of an audit

examination by the IRS. Under current procedures, parties other than the Authority, Nassau BOCES 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 IRS positions with which the Authority or Nassau BOCES legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2011 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 2011 Bonds and may cause the Authority, Nassau BOCES or the Beneficial Owners to incur significant expense.

PART 12 – STATE NOT LIABLE ON THE SERIES 2011 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Master Resolution specifically provides that the Series 2011 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 – COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may, in the exercise of its sovereign power, enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds. The Act specifically provides that the State covenants with holders of the Bonds not to repeal, revoke, rescind or modify the provisions of the Act so as to limit, impair or impede the security afforded by that portion of the Act requiring the Comptroller of the State of New York to deduct from any State funds appropriated to a BOCES an amount equal to the amount payable by such BOCES to the Authority under the Agreements for the ensuing school year and further provides that no lien or charge which is prior in time or superior in right to such deduction shall be created; provided however, that nothing in the Act shall require the State to continue the payment of State aid to boards of cooperative educational services or prevent the State repealing or amending any law providing for the apportionment of such aid.

PART 14 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2011 Bonds by the Authority are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2011 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Arent Fox LLP, New York, New York and for Nassau BOCES by its counsel, Hawkins Delafield & Wood LLP, New York, New York. Thompson & Thompson, PLLC, assisted the Authority on certain legal matters relating to the Series 2011 Bonds.

There is no pending litigation restraining or enjoining the issuance or delivery of the Series 2011 Bonds or questioning or affecting the validity of the Series 2011 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Master Resolution and the Agreements.

PART 15 – UNDERWRITING

Loop Capital Markets LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2011 Bonds from the Authority at an aggregate purchase price of \$27,040,127.33 and to make a public offering of the Series 2011 Bonds at prices that are not in excess of the public offering prices stated on the inside

cover page of this Official Statement. The Underwriter will be obligated to purchase all such Series 2011 Bonds if any are purchased.

The Series 2011 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 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, has issued a report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the obligations deposited with the trustee for the Series 2003 Refunded Bonds to pay the principal, interest and redemption price coming due on the Series 2003 Refunded Bonds on and prior to their maturity or redemption date as described in “PART 6 – THE REFUNDING PLAN,” and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2011 Bonds are not “arbitrage bonds” under the Code and the applicable income tax regulations.

PART 17 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), Nassau BOCES has undertaken in a written agreement to provide continuing disclosure for the benefit of the Series 2011 Bondholders. Nassau BOCES, in its continuing disclosure agreement (the “Agreement to Provide Continuing Disclosure”) will undertake to provide to Digital Assurance Certification LLC (“DAC”), on behalf of the Authority as the Authority’s disclosure dissemination agent, for filing by DAC with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access (“EMMA”) in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, on or before 120 days after the end of each fiscal year, commencing with the fiscal year of Nassau BOCES ending June 30, 2011 on an annual basis, operating data and financial information of the type hereinafter described which is included in this Official Statement (the “Annual Information”), together with Nassau BOCES’ annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from Nassau BOCES, DAC has undertaken in the Agreement to Provide Continuing Disclosure for the benefit of the Bondholders, on behalf of and as agent for Nassau BOCES, to file such information and financial statements, as promptly as practicable, but no later than three business days after receipt of the information by DAC from Nassau BOCES, with the MSRB through EMMA and in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB. In addition, the Authority has undertaken, for the benefit of the Series 2011 Bondholders, to provide DAC in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

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

Notices. The Notices include notice of any of the following events with respect to the Series 2011 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or events affecting the tax-exempt status of the Series 2011 Bonds; (7) modifications to rights of the Holders of the Series 2011 Bonds, if material; (8) bond calls; (9) defeasances; (10)

release, substitution, or sale of property securing repayment of the Series 2011 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of Nassau BOCES; (14) merger, consolidation or acquisition of Nassau BOCES, 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.

The sole and exclusive remedy for breach or default under the Agreement to Provide Continuing Disclosure is an action to compel specific performance of the undertakings of DAC or Nassau BOCES, as the case may be, and no person, including any Holder of the Series 2011 Bonds, may recover monetary damages thereunder under any circumstances. DAC or Nassau BOCES may be compelled to comply with their respective obligations under the Agreement to Provide Continuing Disclosure (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2011 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2011 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Series 2011 Bonds. However, the Trustee is not required to take any enforcement action unless so directed by the Holders of not less than 25% in aggregate principal amount of Outstanding Series 2011 Bonds. A breach or default under the Agreement to Provide Continuing Disclosure will not constitute an Event of Default under the Master Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Agreement to Provide Continuing Disclosure, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Agreement to Provide Continuing Disclosure, however, may under certain circumstances be amended or modified without the consent of Holders of the Series 2011 Bonds. Copies of the Agreement to Provide Continuing Disclosure when executed by the parties thereto upon the delivery of the Series 2011 Bonds will be on file at the principal office of the Authority.

PART 18 – RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services are expected to assign ratings of Aa3 and AA+, respectively, on the Insured Bonds based upon the understanding that the payment of principal of and interest on the Insured Bonds will be guaranteed by a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. simultaneously with the delivery of the Insured Bonds.

Moody's Investors Service and Standard & Poor's Ratings Services have assigned ratings of Aa3 and A+, respectively, on the Series 2011 Bonds which are not Insured Bonds.

Each such rating reflects only the rating agency issuing such rating and is not a recommendation by such rating agency to purchase, sell or hold the obligations rated or as to the market price or suitability of such obligations for a particular investor. Generally, a rating agency bases its rating and outlook, if any, on the information and material furnished to it and on investigations, studies and assumptions of its own. An explanation of the significance of any rating may be obtained only from the rating agency furnishing such rating. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised upward or downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price or marketability of the Series 2011 Bonds.

PART 19 – SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning Nassau BOCES included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on

certificates from each source, to be delivered at or prior to the time of delivery of the Series 2011 Bonds, as to the accuracy of such information provided or authorized by it.

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

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

The Insurer. The information contained in “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2011 BONDS – Bond Insurance” and “Appendix F - Specimen Municipal Bond Insurance Policy” has been reviewed for accuracy by the Insurer. The Authority believes that this information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of this information.

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

Bond Counsel. “Appendix A - Definitions”, “Appendix C - Summary of Certain Provisions of the Lease and Agreements”, “Appendix D - Summary of Certain Provisions of the Master Resolution” and “Appendix E – Form of Approving Opinion of Bond Counsel” have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

Independent Auditors. “Appendix B – Financial Statements of Nassau BOCES” have been prepared by R.S. Abrams & Co., LLP, Nassau BOCES’ independent auditors.

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

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2011 Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to Nassau BOCES, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolutions, the Agreements and the Agreements of Lease are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered owners of the Series 2011 Bonds are fully set forth in the Resolutions, and neither any advertisement of the Series 2011 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2011 Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

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

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

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

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DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined herein, or in the Master Resolution or the Agreements and used in this Official Statement.

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

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

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

Agreement or Agreements means, as applicable, the 2001 Agreement or/and the 2003 Agreement.

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

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

Appreciated Value means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Applicable Series Resolution authorizing such Deferred Income Bond or in the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is

the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

Arbitrage Rebate Fund means each such fund so designated, created and established by the Applicable Series Resolution.

Authority Fee means the fee payable to the Authority in the amount of \$75,000 as compensation for all of the Authority's internal costs and overhead expenses attributable to an issuance of the Bonds, excluding Administrative Expenses and the Annual Administrative Fee.

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

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

BOCES means the Board of Cooperative Educational Services for the Sole Supervisory District of Nassau County, a corporation organized and existing under Section 1950(6) of the State Education Law duly organized and validly existing under the Constitution and the laws of the State of New York.

Bond or Bonds means any of the bonds of the Authority, including the Series 2011 Bonds, authorized and issued pursuant to the Master Resolution and to an Applicable Series Resolution.

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

Bond Series Certificate means the certificate of an Authorized Officer of the Authority, including the Series 2011 Bond Series Certificate, fixing terms, conditions and other details of Bonds of an Applicable Series in accordance with the delegation of power to do so under the Master Resolution or under the Applicable Series Resolution authorizing the issuance of such Bonds.

Bond Year means unless otherwise stated in the Applicable Series Resolution, a period of twelve (12) consecutive months beginning August 15 in any calendar year and ending on August 14 of the succeeding calendar year.

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

Building and Equipment Reserve Fund means each such fund so designated and established by the Master Resolution.

Business Day means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided, however, that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means

any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the issuer of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close in The City of New York.

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

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

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

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

Cost or Costs of the Project means with respect to an Applicable Project costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of such Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of such Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising such Project, (v) costs and expenses required for the acquisition and installation of furnishings, equipment, machinery and apparatus, (vi) all other costs which the Applicable BOCES or the Authority will be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse BOCES or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with such Project (including interest on borrowed money), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of such Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant hereto or to the Applicable Agreement or Applicable Lease Agreement, a Credit Facility, a Liquidity Facility or a Remarketing Agreement.

Credit Facility means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, municipal bond insurance policy or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms, plus accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Master Resolution and with the Series

Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the Master Resolution.

Debt Service Fund means the fund so designated, created and established by the Applicable Series Resolution.

Debt Service Reserve Fund means the fund so designated, created and established by the Applicable Series Resolution.

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

Defeasance Security means (a) a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on

such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) which are rated by a Rating Agency in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term will not mean any interest in a unit investment trust or mutual fund.

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

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

Exempt Obligation means (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Master Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, in not less than the second highest rating category of each Rating Agency rating such obligation, or, if such obligation is not rated by a Rating Agency, has been assigned a comparable rating by another nationally recognized rating service or (ii) United States Treasury Demand Deposit Certificates of Indebtedness - State and Local Government Series, to the extent treated as a tax exempt obligation for purposes of Section 148 of the Code.

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

First Supplemental Resolution means the First Supplemental Resolution, adopted by the Authority on February 25, 2004, amending and supplementing the Master Resolution.

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

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

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

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

Lease Agreement or *Lease Agreements* means, as applicable, the 2001 Lease Agreement or/and the 2003 Lease Agreement.

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

Liquidity Facility means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms hereof and of the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds.

Master Resolution means the Authority’s Master BOCES Program Lease Revenue Bond Resolution, adopted on August 15, 2001, as amended and supplemented.

Maximum Interest Rate means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, that will be the maximum rate at which such Bond may bear interest at any time.

Memorandum of Understanding means the Memorandum of Understanding, among the Authority, the New York State Department of Education and the Office of State Comptroller.

Minimum Interest Rate means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, that will be the minimum rate at which such Bonds may bear interest at any time.

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

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

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

Paying Agent means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Master Resolution or of a

Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents will be so appointed.

Permitted Encumbrances means and includes:

1. the lien of taxes and assessments and water and sewer rents and charges which are not yet due and payable;
2. rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Leased Property which do not materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;
3. minor defects and irregularities in the title to the Leased Property which do not in the aggregate materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;
4. easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held;
5. present or future valid zoning laws and ordinances;
6. any purchase money security interests in any Personal Property, other than with respect to Personal Property financed with the proceeds of the Bonds and any replacements thereof;
7. all other matters of record and state of title at the commencement date of the Applicable Agreement, rights of parties in possession and any state of facts which an accurate survey or physical inspection would show;
8. BOCES Leases;
9. those matters referred to in any title insurance policy with respect to the Leased Property and accepted by the Authority; and
10. such other encumbrances or items to which BOCES will have consented in writing signed by an Authorized Officer.

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

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

scope of the Project provided that such amendments are approved in writing by the State Education Department and filed with the Authority.

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

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

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

Qualified Financial Institution means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; provided, however, that in the case of any entity described in (ii) or (iii) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by at least two Rating Agencies, or, if such obligations are not rated by at least two Rating Agencies, have been assigned a comparable rating by at least one Rating Agency, but in no event will such obligations be rated lower than the lowest rating assigned by a Rating Agency to any Outstanding Bonds.

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

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

Remarketing Agent means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Bond Series Certificate relating to such Option Bonds.

Rentals means the rent payable under an Agreement.

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

Resolution means the Master Resolution, as supplemented by the First Supplemental Resolution and the Series 2011 Resolution.

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

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

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

Series Resolution means a resolution of the Authority, including the Series 2011 Resolution, authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Master Resolution.

"*Series 2009 Bonds*" means the Authority's Master BOCES Program Lease Revenue Bonds (Nassau County Issue), Series 2009.

Series 2011 Bond Series Certificate means the Certificate of an authorized officer of the Authority, fixing terms, conditions and other details of the Series 2011 Bonds.

Series 2011 Resolution means the Series 2011 Resolution Authorizing Up To \$30,000,000 Master BOCES Program Lease Revenue Refunding Bonds (Nassau County Issue), Series 2011, adopted by the Authority on March 30, 2011.

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

State means the State of New York.

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

Term Bonds means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments.

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

2001 Agreement means the Amended and Restated Lease and Agreement, dated as of March 30, 2011, between the Authority and BOCES, amending and restating the Lease and Agreement, dated as of August 15, 2001, between the Authority and BOCES, as the same may from time to time amended or supplemented in accordance with its terms and provisions and the terms and provisions of the Resolution.

2001 BOCES Lease means the Amended and Restated Agreement of Lease, dated as of March 30, 2011, between BOCES, as lessor, and the Authority, as lessee, amending and restating the Agreement of Lease, dated as of

August 15, 2001, between BOCES, as lessor, and the Authority, as lessee, as the same may be from time to time amended, modified and supplemented.

2003 Agreement means the Amended and Restated Lease and Agreement, dated as of March 30, 2011, between the Authority and BOCES, amending and restating the Lease and Agreement, dated as of September 24, 2003, between the Authority and BOCES, as the same may from time to time amended or supplemented in accordance with its terms and provisions and the terms and provisions of the Resolution.

2003 BOCES Lease means the Amended and Restated Agreement of Lease, dated as of March 30, 2011, between BOCES, as lessor, and the Authority, as lessee, amending and restating the Agreement of Lease, dated as of September 24, 2003, between BOCES, as lessor, and the Authority, as lessee, as the same may be from time to time amended, modified and supplemented.

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

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

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

**FINANCIAL STATEMENTS OF
NASSAU BOCES**

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**BOARD OF COOPERATIVE
EDUCATIONAL SERVICES OF NASSAU COUNTY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Board of Cooperative Educational Services of Nassau County
Garden City, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Board of Cooperative Educational Services of Nassau County as of and for the year ended June 30, 2010, which collectively comprise the Board of Cooperative Educational Services of Nassau County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Cooperative Educational Services of Nassau County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund as well as the fiduciary funds of the Board of Cooperative Educational Services of Nassau County as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010 on our consideration of the Board of Cooperative Educational Services of Nassau County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 1 through 14 and 45 through 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Cooperative Educational Services of Nassau County's basic financial statements as a whole. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary financial information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements taken as a whole.

R.S. Abrams & Co., LLP

R.S. Abrams & Co. LLP
October 12, 2010

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following is a discussion and analysis of the Board of Cooperative Educational Services of Nassau County (the "BOCES") for the fiscal year ended June 30, 2010. This section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the Entity-Wide and Fund-Wide Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- Nassau BOCES' total net assets decreased by 36% as reflected in the Entity-Wide Financial Statements for the fiscal year due to the recording of the net other post-employment benefits (OPEB) as required by Governmental Accounting Standards Board (GASB) Statement 45.
- On the Entity-Wide Financial Statements, revenues increased by 1% primarily as a result of increased fees charged for services and operating grants offset by a decrease in investment earnings.
- On the Entity-Wide Financial Statements, expenses increased by 2% over the prior year primarily as a result of increased instruction and other services.
- During this fiscal year the Agency completed the purchase of the Lupinskie Center for \$16,965,345, a new state-of-the-art technology center for Nassau County school districts. This facility is located at One Merrick Avenue in Westbury.
- Nassau BOCES serves approximately 1,400 students in its Career and Technical Education programs, 1,600 children in Special Education, and 400 children in its alternative high schools. However, many more students are reached through instructional programs arranged through their home schools – for example, more than 50,000 students attend Nassau BOCES outdoor education programs.
- Nassau BOCES serves learners of all ages. Nassau BOCES operates one of the few publicly run preschool programs in New York State. The Nassau BOCES preschool program serves approximately 300 handicapped preschoolers each year. Nassau BOCES also runs an adult learning center that offers programs in English as a second language, Adult basic education, English and Spanish high school equivalency preparation. The adult learning center provides services to approximately 5,000 adult students each year.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

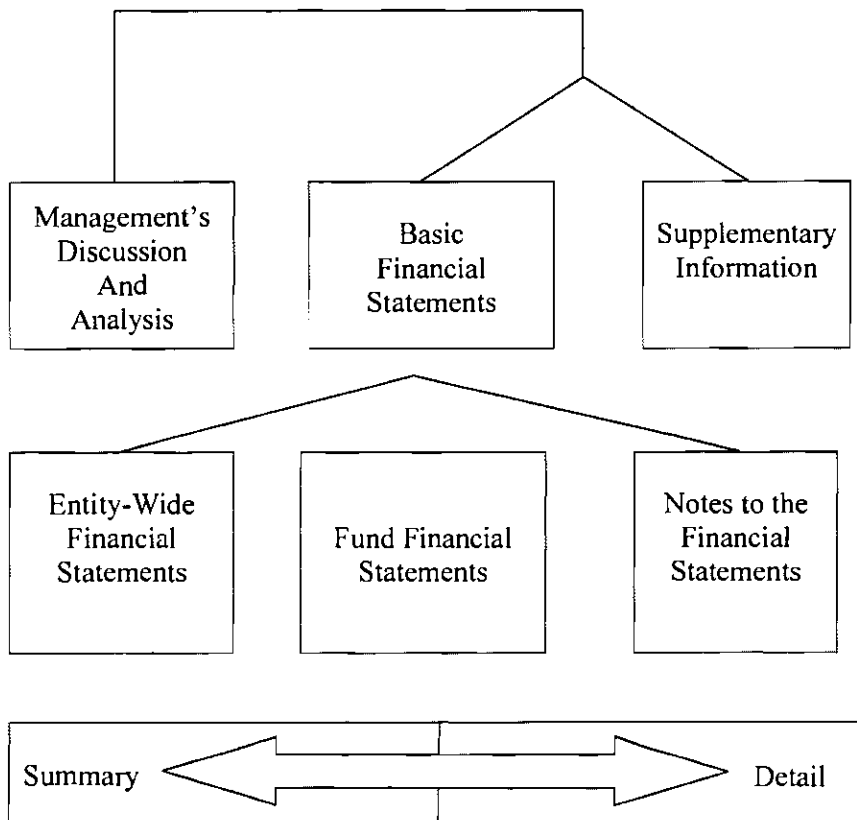
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and optional supplementary information. The basic financial statements include two kinds of statements that present different views of the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

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- The first two statements are *Entity-Wide Financial Statements* that provide both *short-term* and *long-term* information about the BOCES' *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the BOCES, reporting the operations in *more detail* than the Entity-Wide Financial Statements.
- The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
- *Fiduciary Funds Statements* provide information about the financial relationships in which the BOCES acts solely as a trustee or agent for the benefit of others, including the employees of BOCES.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES' budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the BOCES' Annual Financial Report



**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table A-2 summarizes the major features of the BOCES' financial statements, including the portion of the BOCES' activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the Entity-Wide and Fund Financial Statements

	Entity-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the BOCES, such as special education and instruction	Instances in which the BOCES administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All financial assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

A. Entity-Wide Financial Statements

The Entity-Wide Financial Statements report information about the BOCES as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Assets includes all of the BOCES' assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Entity-Wide Financial Statements report the BOCES' net assets and how they have changed. Net assets, the difference between the assets and liabilities, are one way to measure the financial health or position of the BOCES.

- Over time, increases and decreases in net assets is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the BOCES, additional non-financial factors such as the condition of buildings and other facilities should be considered.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Entity-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
 - *Net assets* invested in capital assets, net of related debt;
 - *Restricted net assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation such as:
 - Debt Service
 - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B. Fund Financial Statements

The Fund Financial Statements provide more detailed information about the BOCES' funds. Funds are accounting devices that the BOCES uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The BOCES has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the BOCES. Because this information does not encompass the additional long-term focus of the Entity-Wide Financial Statements, additional information at the bottom of the governmental fund statements explains the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- *Fiduciary funds:* The BOCES is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the Entity-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net assets and changes in net assets. This report should be used to support the BOCES' own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3. FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

A. Net Assets

The BOCES' total net assets decreased by \$29,258,533 in the fiscal year ended June 30, 2010 as detailed in Table A-3.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table A-3 – Condensed Statement of Net Assets-Governmental Activities

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)	% Change
Current assets and other assets	\$168,460,276	\$150,230,189	\$18,230,087	12%
Non-Current Assets	8,231,237	7,677,697	553,540	7%
Capital assets, net	106,532,914	89,568,107	16,964,807	19%
Total Assets	<u>\$283,224,427</u>	<u>\$247,475,993</u>	<u>\$35,748,434</u>	<u>14%</u>
Current liabilities	\$69,024,888	\$53,347,228	\$15,677,660	29%
Long-term liabilities	162,933,352	113,604,045	49,329,307	43%
Total Liabilities	<u>231,958,240</u>	<u>166,951,273</u>	<u>65,006,967</u>	<u>39%</u>
Net Assets				
Investment in capital assets, net of related debt	51,717,914	50,138,107	1,579,807	3%
Restricted	7,046,110	5,677,296	1,368,814	24%
Unrestricted	(7,497,837)	24,709,317	(32,207,154)	-130%
Total Net Assets	<u>51,266,187</u>	<u>80,524,720</u>	<u>(29,258,533)</u>	<u>-36%</u>
Total Liabilities and Net Assets	<u>\$283,224,427</u>	<u>\$247,475,993</u>	<u>\$35,748,434</u>	<u>14%</u>

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$1,579,807 primarily due to principal payments on bonds payable.

Unrestricted net assets decreased by \$32,207,154 or 130% due to the increase of the net other post employment benefits obligation by \$34,587,108 to \$99,576,819.

Current assets and other assets increased by \$18,230,087 from 2009 to 2010 primarily due to an increase in cash and investments. Capital assets (net of depreciation) increased by \$16,964,807. This was attributable primarily to the aforementioned purchase of the Robert E. Lupinskie Center for Curriculum, Instruction and Technology.

Current liabilities increased by \$15,677,660. This was primarily attributable to an increase in the outstanding BOCES aid due to districts that was received at the end of June and paid to the districts in July. Net assets overall decreased by \$29,258,533.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B. Changes in Net Assets

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2010 and 2009 are as follows:

Table A-4: Change in Net Assets from Operating Results
Governmental Activities Only

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)	% Change
Revenues				
Program Revenues				
Charges for services	\$280,813,001	\$277,241,388	\$3,571,613	1%
Operating grants	26,384,139	25,523,708	860,431	3%
General Revenues				
Investment earnings	23,333	297,165	(\$273,832)	-92%
Total Revenues	<u>307,220,473</u>	<u>303,062,261</u>	<u>4,158,212</u>	<u>1%</u>
Expenses				
Instruction	204,667,745	200,249,625	4,418,120	2%
Administration	27,633,191	26,535,457	1,097,734	4%
Itinerant services	170,030	121,379	48,651	40%
Instructional support	52,173,252	51,640,569	532,683	1%
Other services	41,992,728	39,518,233	2,474,495	6%
Food services	1,233,364	1,259,578	(26,214)	-2%
Debt service interest	2,630,742	2,048,794	581,948	28%
Depreciation-unallocated	1,434,402	3,969,135	(2,534,733)	-64%
Total Expenses	<u>331,935,454</u>	<u>325,342,770</u>	<u>6,592,684</u>	<u>2%</u>
Other Changes in Net Assets	(4,543,552)	1,392,638	(5,936,190)	-426%
Loss on Disposal of Capital Assets		(10,004,877)		
(Decrease) in Net Assets	<u>(\$29,258,533)</u>	<u>(\$30,892,748)</u>	<u>\$1,634,215</u>	<u>-5%</u>

The BOCES' total fiscal year 2010 revenues totaled \$307,220,473. (See Table A-4). Charges for services and operating grants accounted for most of the BOCES' revenue by contributing 91 cents and 9 cents, respectively, of every dollar raised. (See Table A-5). The remainder came from investment earnings.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The total cost of all programs and services totaled \$331,935,454 for fiscal year 2010. These expenses are predominantly related to general instruction which accounts for 62% of BOCES expenses. (See Table A-6). The BOCES' administration activities accounted for 8% of total costs.

Table A-5: Revenues for Fiscal Year 2010 (See Table A-4)

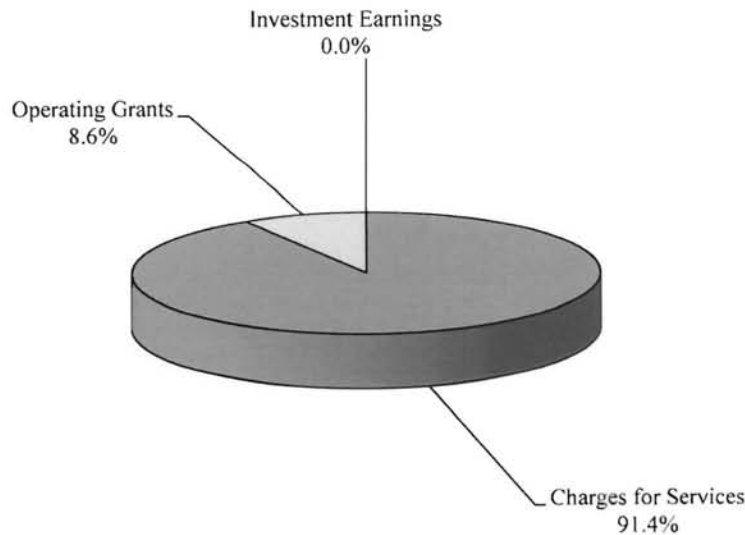
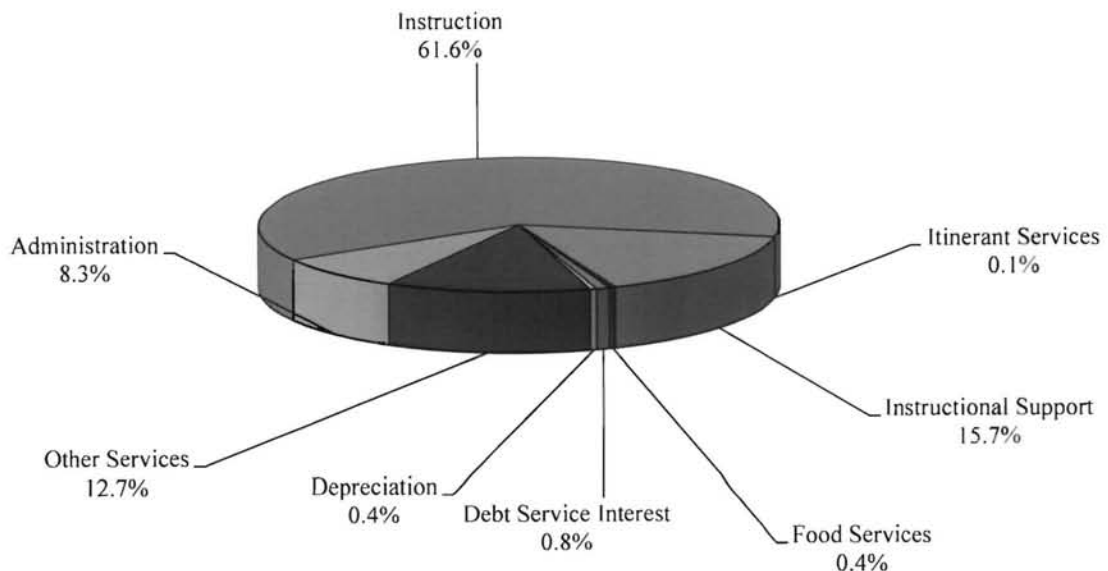


Table A-6: Expenses for Fiscal Year 2010 (See Tables A-4 and A-7)



**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

C. Governmental Activities

Revenues for the BOCES' governmental activities totaled \$307,220,473 while total expenses equaled \$331,935,454. Actual expenses exceeded revenues due to the recording of the \$34,587,108 of expense for retiree health insurance costs that must be actuarially calculated and recorded as required by GASB 45. Despite the increase in expenses, the overall good financial condition of the BOCES, as a whole, can be credited to:

- Continued leadership of the BOCES' Board and administration;
- Approval of the BOCES proposed annual budget;
- Continued availability of BOCES aid to component districts;
- Continued growth in component district service requests; and
- Continued investment in the BOCES' facilities and educational centers.

Table A-7 presents the cost of major BOCES activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden/surplus generated by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2009
Instruction	\$ 204,667,745	\$ 200,249,625	\$12,440,297	\$11,063,876
Administration	27,633,191	26,535,457	(1,202,032)	(1,483,716)
Itinerant services	170,030	121,379	(26,289)	(54,542)
Instructional support	52,173,252	51,640,569	5,340,087	3,769,234
Other services	41,992,728	39,518,233	3,556,359	2,644,724
Food services	1,233,364	1,259,578	564,748	620,169
Debt service interest	2,630,742	2,048,794	2,630,742	2,048,794
Depreciation (unallocated)	1,434,402	3,969,135	1,434,402	3,969,135
Total	<u>\$331,935,454</u>	<u>\$325,342,770</u>	<u>\$24,738,314</u>	<u>\$22,577,674</u>

- The cost of all governmental activities this year was \$331,935,454. (Statement of Activities and Changes in Net Assets – Governmental Activities, Expenses column-see Exhibit 3)
- The users of the BOCES' programs financed most of the cost with revenues of \$280,813,001. (Statement of Activities and Changes in Net Assets – Governmental Activities, Charges For Services column-see Exhibit 3)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- The federal and state governments subsidized certain programs with grants of \$26,384,139. (Statement of Activities and Changes in Net Assets – Governmental Activities, Operating Grants column – see Exhibit 3)

4. FINANCIAL ANALYSIS OF THE BOCES' FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the Entity-Wide Financial Statements. The BOCES' governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2010, the BOCES' combined governmental funds reported a total fund balance of \$104,069,241 which is an increase of \$3,550,411 over the prior year. This increase is primarily due to a decrease in fund balance in the general fund due to operations offset by an increase in the capital projects fund for capital projects.

A summary of the change in fund balance for all funds is as follows:

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)	% Change
General Fund				
Reserve for encumbrances	\$3,934,744	\$5,204,720	(\$1,269,976)	-24.40%
Reserve for property loss	253,588	264,493	(10,905)	-4.12%
Reserve for unemployment insurance	496,146	494,107	2,039	0.41%
Reserve for retirement contributions	10,494,200	10,455,877	38,323	0.37%
Reserve for employee benefit accrued liability	33,807,720	33,456,613	351,107	1.05%
Reserve for liability	0	40,841	(40,841)	-100.00%
Reserve for athletics	7,590	620	6,970	1124.19%
Total Fund Balance - General Fund	<u>48,993,988</u>	<u>49,917,271</u>	<u>(923,283)</u>	<u>-1.85%</u>
Special Aid Fund				
Reserve for encumbrances	\$325,258	\$376,242	(\$50,984)	-13.55%
Unreserved - undesignated	(325,258)	(376,242)	50,984	-13.55%
Total Fund Balance - School Lunch Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
School Lunch Fund				
Reserve for encumbrances	\$18,511	\$11,602	\$6,909	59.55%
Reserve for inventory	20,575	22,548	(1,973)	-8.75%
Unreserved - undesignated	174,670	136,413	38,257	28.04%
Total Fund Balance - School Lunch Fund	<u>213,756</u>	<u>170,563</u>	<u>43,193</u>	<u>25.32%</u>
Debt Service Fund				
Reserve for debt service	\$4,135,672	\$3,295,245	\$840,427	25.50%
Total Fund Balance - Debt Service Fund	<u>4,135,672</u>	<u>3,295,245</u>	<u>840,427</u>	<u>25.50%</u>
Capital Projects Fund				
Reserve for encumbrances	\$5,562,556	\$1,397,395	\$4,165,161	298.07%
Unreserved - undesignated	45,163,269	45,738,356	(575,087)	-1.26%
Total Fund Balance - Capital Projects Fund	<u>50,725,825</u>	<u>47,135,751</u>	<u>3,590,074</u>	<u>7.62%</u>
Total Fund Balance - All Funds	<u>\$104,069,241</u>	<u>\$100,518,830</u>	<u>\$3,550,411</u>	<u>3.53%</u>

The school lunch fund balance increased \$43,193 to \$213,756 as of year-end due to an operating surplus.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The debt service fund balance increased by \$840,427 to \$4,135,672 as of year-end. The debt service fund increased due to the additional debt service requirements for the 2009 DASNY bond issue. The fund balance matches the balance required by DASNY for the 2001, 2003 and 2009 series bonds plus accrued earnings on investments through June 30, 2010.

The capital projects fund balance increased by \$3,590,074 to \$50,725,825 as of year-end. The increase is mainly the result of a Board authorized transfer of \$8,040,109 from the June 30, 2009 general fund surplus and was partially offset by the use of funds in the Greenvale renovation project.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

Change in General Fund's Unreserved–Undesignated Fund Balance (Budget to Actual)

The general fund's unreserved – undesignated fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, Unreserved - Interscholastic Athletics Fund Balance	\$620
Revenues Under Budget	(6,628,951)
Expenditures and Encumbrances Under Budget	14,354,327
Carryover Encumbrances Prior Year	5,204,720
Decrease - Transfer to School District Account	<u>(12,923,126)</u>
Closing, Unreserved - Interscholastic Athletics Fund Balance	<u><u>\$7,590</u></u>

The revenues under the adjusted budget in the amount of \$6,628,951 were primarily due to the following: reduced enrollment in the alternative education programs and a reduced number of technology projects (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under the adjusted budget in the amount of \$14,354,327 were primarily attributable to the following: reduced enrollment in the alternative educational programs, a decrease in utility costs and a lower than anticipated increase in fringe benefits such as health insurance premiums and retirement contributions.

The changes in reserves and fund balance are discussed further in Management Discussion and Analysis Section 4, Financial Analysis of the District's Funds.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The BOCES paid for equipment and various building additions and renovations during the fiscal year 2010. A summary of the BOCES' capital assets net of depreciation is as follows:

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)	% Change
Land & Land Improvements	\$9,235,600	\$7,235,600	\$2,000,000	28%
Buildings & Building Improvements	104,514,764	87,941,471	16,573,293	19%
Furniture & Equipment	30,073,541	30,247,625	(174,084)	-1%
Subtotal	143,823,905	125,424,696	18,399,209	15%
Less: Accumulated Depreciation	37,290,991	35,856,589	1,434,402	4%
Total Net Capital Assets	<u>\$106,532,914</u>	<u>\$89,568,107</u>	<u>\$16,964,807</u>	<u>19%</u>

The BOCES' spent \$22,174,126 during the year in the capital projects fund on building improvements and equipment purchases in addition to \$16,965,345 for the purchase of the land and building for the Robert E. Lupinskie Center. The capital projects fund has \$50,725,825 available for various projects. A detail of all capital projects and fund balance can be found on Supplemental Schedule #4 on page 49.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B. Long-Term Debt

At June 30, 2010, the BOCES had total bonds payable of \$54,815,000 and installment debt in the amount of \$8,231,237. The bonds were issued for entity-wide projects and the installment debt was issued for equipment purchases. The increase in outstanding debt represents additional installment debt of \$4,239,063 and the issuance of \$17,525,000 of NYS Dormitory Authority Bonds, offset by principal payments of \$3,685,523 on installment debt and \$2,140,000 on bonds. A summary of outstanding debt at June 30, 2010 and 2009 is as follows:

	2010	2009	Increase (Decrease)
NYS Dormitory Authority Bonds	\$54,815,000	\$39,430,000	\$15,385,000
Installment Debt	\$8,231,237	7,677,697	553,540
Total	<u>\$63,046,237</u>	<u>\$47,107,697</u>	<u>\$15,938,540</u>

7. FACTORS BEARING ON THE BOCES' FUTURE

The general fund budget for the 2010-2011 school year was approved for the amount of \$286,757,181. This is an increase of \$9,598,385 or 3.5% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.

8. CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the BOCES and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Board of Cooperative Educational Services of Nassau County
Ms. Joan Siegel
Associate Superintendent for Business Services
71 Clinton Road
Garden City, New York 11530-4757
(516) 396-2210

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2010

ASSETS

Cash	
Unrestricted	\$87,696,615
Investments	
Restricted	7,046,110
Receivables	
Accounts receivable	3,194,059
Due from fiduciary fund	11,296,909
Due from school districts, net	23,069,096
State and federal aid receivable	23,988,181
Due from Nassau County (net of allowance of \$2,686,000)	9,614,294
Due from school districts - installment purchase debt	8,231,237
Inventories	20,575
Prepaid expenditures	2,534,437
Capital assets, net	106,532,914
Total Assets	<u><u>\$283,224,427</u></u>

LIABILITIES

Payables	
State aid due to component districts	\$35,931,392
Accounts payable	4,328,300
Accrued liabilities	1,047,340
Notes payable	
Revenue Anticipation Notes payable	12,000,000
Accrued interest payable	1,041,708
Due to teachers retirement system	6,020,487
Due to employees retirement system	1,925,609
Deferred credits	
Deferred revenues	804,837
Long-term liabilities	
Due and payable within one year	
Compensated absences, due within one year	14,389
Bonds payable, due within one year	2,770,000
Installment debt, due within one year	3,140,826
Due and payable after one year	
Bonds payable	52,045,000
Net other postemployment benefits obligation	99,576,819
Installment debt	5,090,411
Compensated absences	6,221,122
Total Liabilities	<u><u>231,958,240</u></u>

NET ASSETS

Investment in capital assets, net of related debt	51,717,914
Restricted for:	
Debt service	7,046,110
Unrestricted	(7,497,837)
Total Net Assets	<u><u>51,266,187</u></u>
Total Liabilities and Net Assets	<u><u>\$283,224,427</u></u>

See Accompanying Notes to Financial Statements

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>*****Program Revenues*****</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular instruction	\$24,167,010	\$20,732,726	\$303,041	(\$3,131,243)
Occupational education	21,488,172	16,247,181	4,764,771	(476,220)
Special education	159,012,563	131,531,550	18,648,179	(8,832,834)
Total Instruction	<u>204,667,745</u>	<u>168,511,457</u>	<u>23,715,991</u>	<u>(12,440,297)</u>
Support Services:				
Administration	27,633,191	28,621,563	213,660	1,202,032
Itinerant services	170,030	196,319		26,289
Instructional support	52,173,252	44,996,077	1,837,088	(5,340,087)
Other services	41,992,728	38,338,981	97,388	(3,556,359)
Food services	1,233,364	148,604	520,012	(564,748)
Debt service - interest	2,630,742			(2,630,742)
Depreciation - unallocated	1,434,402			(1,434,402)
Total Support Services	<u>127,267,709</u>	<u>112,301,544</u>	<u>2,668,148</u>	<u>(12,298,017)</u>
Total Governmental Activities	<u>\$331,935,454</u>	<u>\$280,813,001</u>	<u>\$26,384,139</u>	<u>(24,738,314)</u>
General Revenues:				
Interest and investment earnings				<u>23,333</u>
Total General Revenues				<u>23,333</u>
Change in Net Assets				(24,714,981)
Other Changes in Net Assets (See Footnote 16)				(4,543,552)
Net Assets - Beginning of Year				<u>80,524,720</u>
Net Assets - End of Year				<u>\$51,266,187</u>

See Accompanying Notes to Financial Statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

	General	Special Aid	School Lunch	Debt Service	Capital Project	Total Governmental Funds
ASSETS						
Cash-unrestricted	\$36,755,165	\$2,561,557	\$371,186		\$48,008,707	\$87,696,615
Investments						
Restricted				\$4,135,672	2,910,438	7,046,110
Accounts receivable	1,460,105	1,732,323	1,631			3,194,059
Due from other funds	24,621,137					24,621,137
Due from school districts, net	22,724,834	344,262				23,069,096
State & federal aid receivable	23,932,094		56,087			23,988,181
Due from Nassau County (net of allowance of \$2,686,000)		9,614,294				9,614,294
Inventories			20,575			20,575
Prepaid expenditures	215,756					215,756
TOTAL ASSETS	\$109,709,091	\$14,252,436	\$449,479	\$4,135,672	\$50,919,145	\$179,465,823
LIABILITIES						
State aid due to component districts	\$35,931,392					\$35,931,392
Accounts payable	3,827,744	\$420,128	\$78,469		\$1,959	4,328,300
Accrued liabilities	920,382	119,925	7,033			1,047,340
Due to other funds		12,982,646	150,221		191,361	13,324,228
Due to teachers retirement system	6,020,487					6,020,487
Due to employees retirement system	1,925,609					1,925,609
Compensated absences	14,389					14,389
Revenue Anticipation Notes payable	12,000,000					12,000,000
Deferred revenues	75,100	729,737				804,837
TOTAL LIABILITIES	60,715,103	14,252,436	235,723		193,320	75,396,582
FUND BALANCE						
Reserved Fund Balance:						
Reserve for encumbrances	3,934,744	325,258	18,511		5,562,556	9,841,069
Reserve for employee benefit accrued liability	33,807,720					33,807,720
Reserve for property loss	253,588					253,588
Reserve for unemployment	496,146					496,146
Reserve for retirement contributions	10,494,200					10,494,200
Reserve for inventory			20,575			20,575
Reserve for debt service				4,135,672		4,135,672
Reserve for athletics	7,590					7,590
Fund balance, unreserved	0	(325,258)	174,670		45,163,269	45,012,681
TOTAL FUND BALANCE	48,993,988	0	213,756	4,135,672	50,725,825	104,069,241
TOTAL LIABILITIES AND FUND BALANCE	\$109,709,091	\$14,252,436	\$449,479	\$4,135,672	\$50,919,145	\$179,465,823

See Accompanying Notes to Financial Statements

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

Total Governmental Fund Balances \$104,069,241

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Assets include those capital assets among the assets of the BOCES as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	143,823,905	
Accumulated depreciation	<u>(37,290,991)</u>	106,532,914

Governmental funds do not report the effect of expenditures paid in the current year that related to future expenses

Prepaid Expenditures		2,318,681
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Governmental funds do not report the effect of future receivables from School District related to BOCES installment debt payable

Due From School Districts-Installment Debt		8,231,237
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(54,815,000)	
Net other postemployment benefits obligation	(99,576,819)	
Accrued interest on bonds payable	(1,041,708)	
Installment debt payable	(8,231,237)	
Compensated absences payable	<u>(6,221,122)</u>	<u>(169,885,886)</u>

Total Net Assets		<u>\$51,266,187</u>
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See Accompanying Notes to Financial Statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Special Aid	School Lunch	Debt Service	Capital Project	Total Governmental Funds
REVENUES						
Charges to components-administration	\$26,810,430					\$26,810,430
Charges to components-services	243,740,502	\$3,834,245				247,574,747
Charges to other BOCES and non-components	5,736,083	3,134,475				8,870,558
Use of money and property	447,703			518,984	\$4,349	471,036
Sale of property and compensation for loss	189,074	2,163				191,237
Miscellaneous	3,740,605					3,740,605
County sources		13,015,083				13,015,083
State sources		2,637,500	\$21,763			2,659,263
Federal sources		3,240,661	472,080			3,712,741
Surplus food			26,169			26,169
Cafeteria sales			148,604			148,604
TOTAL REVENUES	<u>280,664,397</u>	<u>25,864,127</u>	<u>668,616</u>	<u>18,984</u>	<u>4,349</u>	<u>307,220,473</u>
EXPENDITURES						
Administration	22,524,519	213,660				22,738,179
Occupational instruction	14,605,254	4,764,771				19,370,025
Instruction for handicapped	123,708,717	18,568,815				142,277,532
Itinerant services	156,006					156,006
General instruction	20,847,279	303,041				21,150,320
Instructional support	44,082,087	1,837,088				45,919,175
Other services	36,991,742	97,388				37,089,130
Debt service-principal				2,140,000		2,140,000
Debt service-interest				2,403,653		2,403,653
Cost of food sold			1,233,364			1,233,364
Capital outlay					22,174,126	22,174,126
TOTAL EXPENDITURES	<u>262,915,604</u>	<u>25,784,763</u>	<u>1,233,364</u>	<u>4,543,653</u>	<u>22,174,126</u>	<u>316,651,510</u>
EXCESS(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>17,748,793</u>	<u>79,364</u>	<u>(564,748)</u>	<u>(4,524,669)</u>	<u>(22,169,777)</u>	<u>(9,431,037)</u>
OTHER FINANCING SOURCES (USES)						
Interfund transfers in			607,941	5,365,096	200,000	6,173,037
Interfund transfers out	(6,088,673)	(79,364)			(5,000)	(6,173,037)
Proceeds of long term debt					17,525,000	17,525,000
TOTAL OTHER FINANCING SOURCES	<u>(6,088,673)</u>	<u>(79,364)</u>	<u>607,941</u>	<u>5,365,096</u>	<u>17,720,000</u>	<u>17,525,000</u>
NET CHANGE IN FUND BALANCE	11,660,120	0	43,193	840,427	(4,449,777)	8,093,963
OTHER CHANGES IN FUND BALANCE (NOTE 16)	<u>(12,583,403)</u>	<u>0</u>	<u>0</u>	<u>-</u>	<u>8,039,851</u>	<u>(4,543,552)</u>
TOTAL CHANGE IN FUND BALANCE	(923,283)	0	43,193	840,427	3,590,074	3,550,411
FUND BALANCE - BEGINNING OF YEAR	<u>49,917,271</u>	<u>0</u>	<u>170,563</u>	<u>3,295,245</u>	<u>47,135,751</u>	<u>100,518,830</u>
FUND BALANCE - END OF YEAR	<u>\$ 48,993,988</u>	<u>\$ -</u>	<u>\$ 213,756</u>	<u>\$ 4,135,672</u>	<u>\$ 50,725,825</u>	<u>\$ 104,069,241</u>

See Accompanying Notes to Financial Statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balance		\$3,550,411
Amounts reported for governmental activities in the Statement of Activities		
Activities are different because:		
Long-Term Revenue and Expense Differences		
In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), retirement system contributions-are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	309,224	
Long-Term Debt Transactions		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	2,140,000	
Proceeds from the issuance of bonds is recorded as revenue in the governmental funds long term liabilities in the Statement of Net Assets and does not affect the Statement of Activities	(17,525,000)	
Prepaid insurance in the Statement of Activities from the amounts reported in the governmental fund because insurance is recorded as an expenditure in the funds when it is paid. In the Statement of Activities, however, insurance expense is recognized for the year that it relates to. Prepaid insurance from June 30, 2009 to June 30, 2010 changed by	116,222	
Interest on long-term debt in the Statement of Activities from from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2009 to June 30, 2010 changed by	(227,089)	
Net other postemployment benefits obligation in the Statement of Activities are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used	(34,587,108)	
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the statement of net assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities		
Capital outlays, net of disposals	20,577,547	
Depreciation expense	<u>(3,612,740)</u>	<u>16,964,807</u>
Changes in Net Assets of Governmental Activities		<u><u>(\$29,258,533)</u></u>

See Accompanying Notes to Financial Statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
AS OF JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Unrestricted cash	\$172,190	\$12,309,388
TOTAL ASSETS	<u>\$172,190</u>	<u>\$12,309,388</u>
LIABILITIES		
Due to governmental fund	\$0	\$11,296,909
Group insurance	0	737,408
Due to employees retirement system	0	143,393
Extraclassroom activity balances	0	35,559
Other liabilities	0	96,119
TOTAL LIABILITIES	<u>\$0</u>	<u>\$12,309,388</u>
NET ASSETS		
Held in trust for:		
Endowment scholarships	\$172,190	\$0
TOTAL NET ASSETS	<u>\$172,190</u>	<u>\$0</u>

See Accompanying Notes to Financial Statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Private donations	\$122,860
Interest	<u>1,244</u>
TOTAL ADDITIONS	<u>124,104</u>
 DEDUCTIONS	
Scholarship expenses	<u>106,302</u>
TOTAL DEDUCTIONS	<u>106,302</u>
 CHANGE IN NET ASSETS	 17,802
 NET ASSETS - BEGINNING OF YEAR	 <u>154,388</u>
 NET ASSETS - END OF YEAR	 <u><u>\$172,190</u></u>

See Accompanying Notes to Financial Statements.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Nassau County Board of Cooperative Educational Services (the “BOCES”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the BOCES are described below:

A) Reporting entity:

The BOCES is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the BOCES and its component unit and other organizational entities determined to be includable in the BOCES financial reporting entity. The BOCES is not a component unit of another reporting entity. The decision to include a potential component unit in the BOCES reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the BOCES reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the BOCES represent funds of the students of the BOCES. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the BOCES with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the BOCES business office. The BOCES accounts for assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Assets – Fiduciary Fund.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B) Basis of presentation:

i) Entity-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the BOCES governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the BOCES governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

ii) Fund Financial Statements:

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

The BOCES reports the following major governmental funds:

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

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

School Lunch Fund: This fund is used to account for the activities of the BOCES food service operations.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the Entity-Wide Financial Statements, because their resources do not belong to the BOCES, and are not available to be used. There are two classes of fiduciary funds:

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

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

C) Measurement focus and basis of accounting:

The Entity-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the BOCES gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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D) Revenue from component school districts:

The BOCES bills component school districts during the year on the basis of estimated operating costs. At the end of the year, billings are adjusted to reflect the actual cost of operations. Each component school district is charged for the specific services used, except for administrative and facilities rental costs, which are charged to component school districts on the basis of each district's resident weighted average daily attendance of the second preceding year.

E) State aid – component school districts:

New York State remits to BOCES, for distribution to component school districts, state aid payments applicable to certain programs. State aid relating to the current year was \$45,932,544. Of the total aid, \$10,001,152 was received and distributed to the school districts prior to June 30, 2010. The remaining aid of \$35,931,392 was received in June and September 2010 and will be fully distributed subsequent to year-end. As provided by State law, the receipt and distribution of component school district's state aid is not reflected in the statement of revenues, expenditures and changes in fund equity of the general fund.

F) Restricted resources:

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

G) Interfund transactions:

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

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the BOCES practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

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H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

I) Cash and cash equivalents:

The BOCES cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

J) Accounts receivable:

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. The BOCES has recorded a provision for uncollectible receivables related to the preschool and summer school age programs from the 2006-2007 and 2007-2008 fiscal years due to differences between the consolidated fiscal report costs and the reimbursed rates. The differences in the reimbursed rates compared to the actual costs incurred are recorded as a receivable from Nassau County, with realization of these amounts contingent on factors outside the BOCES control. As such, the BOCES has recorded an allowance for uncollectible receivables for the difference as of June 30, 2010.

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the BOCES for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Entity-Wide and Fund Financial Statements. These items are reported as assets on the statement of net assets or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the entity-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & Building Improvements	\$10,000	Straight-line	50 years
Land Improvements	\$10,000	Straight-line	50 years
Furniture & Equipment	\$1,000	Straight-line	5-20 years

M) Deferred revenue:

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the BOCES receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

N) Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

The BOCES employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting method and an accrual for that liability is included in the Entity-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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In the Funds Financial Statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

O) Other benefits:

BOCES employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the year paid.

P) Short-term debt:

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

Q) Accrued liabilities and long-term obligations:

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

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

R) Equity Classifications:

Entity-Wide Financial Statements:

In the Entity-Wide Financial Statements there are three classes of net assets:

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Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund statements:

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent years' budget. The undesignated portion reports remaining fund balance that has not been designated or reserved.

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

Reserve for Encumbrances

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

Reserve for Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Reserve for Property Loss

Reserve for property loss (Education Law §1709(8)(c)) is used to pay for property loss claims incurred. Separate funds for property loss claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This

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type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.

Reserve for Retirement Contributions

Reserve for retirement contributions (GML §6-r) is used for the purpose of financing retirement contributions. This reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the general fund.

Reserve for Inventory

Reserve for inventory is used to restrict that portion of fund balance, which is not available for appropriation. The reserve is accounted for in the school lunch fund.

Reserve for Debt Service

Reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of BOCES property or capital improvements that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of BOCES property or capital improvement. The reserve is accounted for in the debt service fund.

Reserve for Scholarships

Reserve for scholarships is used to account for monies donated for scholarship purposes, net of earnings and awards. The reserve is accounted for in the private purpose trust fund.

S) Budgetary procedures and budgetary accounting:

1. Budget policies

The budget policies are as follows:

- i. Section 1950 §4(b) of the Education Law requires adoption of a final budget

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no later than May 15, of then ensuing year.

- ii. BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES board for the general fund.
- iii. Appropriations for educational services are adopted at the program level.
- iv. A tentative administrative budget is provided to the component districts for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority of the component school boards actually voting. During the current year, the administrative budget was approved by a majority of its voting component school boards.
- v. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not extended in the subsequent year. The BOCES Board can approve supplemental appropriations based upon requests for additional services and surplus revenues.

2. Budget basis of accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The special revenue funds have not been included in the comparison because they do not have legally authorized (appropriated) budgets.

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

T) Future Changes in Accounting Standards:

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Under GASB 54, the fund balance amounts will be reported in the following classifications:

Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation;

Committed – amounts constrained by a government using its highest level of decision making authority;

Assigned – amounts a government intends to use for a particular use;

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Unassigned – amounts that are not constrained will be reported in the general fund; and

Nonspendable – amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact.

The BOCES is currently studying the statement and plans on adoption when required, which is for periods beginning after June 15, 2010.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND ENTITY-WIDE STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the Entity-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds vs. net assets of governmental activities:

Total fund balances of the BOCES governmental funds differ from “net assets” of governmental activities reported in the Statement of Net Assets. The difference primarily results from additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

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

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iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

iv) Employee benefit allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balance based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The BOCES was in compliance with all legal and contractual provisions for the fiscal year.

A) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the BOCES investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and BOCES.

Custodial credit risk is the risk that in the event of a bank failure, the BOCES deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

A) Uncollateralized;

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- B) Collateralized with securities held by the pledging financial institution in the BOCES' name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the BOCES' name.

None of the BOCES aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

B) Investments:

The BOCES does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The BOCES also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

Investments at June 30, 2010 are comprised of the following:

<u>Fund</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Unrealized Investment Gain/(Loss)</u>	<u>Type of Investment</u>
Capital	\$ 88,537	\$ 88,537	\$ -	Treasury Strip
Capital	34,209	34,204	(5)	Treasury Bill
Capital	10,105	10,104	(1)	Treasury Bill
Capital	1,466,666	1,466,505	(161)	Treasury Strip
Capital	590,390	590,325	(65)	Treasury Strip
Capital	720,531	720,632	101	Treasury Strip
Total Capital Projects Fund	<u>\$2,910,438</u>	<u>\$2,910,307</u>	<u>\$ (131)</u>	
Debt service	\$2,269,263	\$2,269,594	331	Treasury Strips
Debt service	918,556	918,689	133	Treasury Strips
Debt service	947,853	947,992	139	Treasury Strips
Total Debt Service Fund	<u>\$4,135,672</u>	<u>\$4,136,275</u>	<u>\$ 603</u>	

Restricted investments as of year-end include \$7,046,110 within the governmental fund for the Dormitory Authority of the State of New York (DASNY) debt service and debt service reserve accounts.

NOTE 6 – STATE, FEDERAL AND COUNTY RECEIVABLES

State, federal and county receivables for the BOCES individual major funds, including the allowance for uncollectible receivables at June 30, 2010 consists of the following:

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	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
District state aid receivable	\$23,932,094			\$23,932,094
Due from Nassau County (net)		\$9,614,294		9,614,294
State and Federal aid receivable			\$56,087	56,087
Total receivables	<u>\$23,932,094</u>	<u>\$9,614,294</u>	<u>\$56,087</u>	<u>\$33,602,475</u>

NOTE 7 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$7,235,600	\$2,000,000	\$0	\$9,235,600
Total nondepreciable historical cost	<u>7,235,600</u>	<u>2,000,000</u>	<u>0</u>	<u>9,235,600</u>
Capital assets that are depreciated:				
Building & building improvements	87,941,471	19,072,147	(2,498,854)	104,514,764
Furniture and equipment	30,247,625	1,643,310	(1,817,394)	30,073,541
Total depreciable historical cost	<u>118,189,096</u>	<u>20,715,457</u>	<u>(4,316,248)</u>	<u>134,588,305</u>
Less accumulated depreciation:				
Building & building improvements	26,870,733	1,859,847	(619,646)	28,110,934
Furniture and equipment	8,985,856	1,752,893	(1,558,692)	9,180,057
Total accumulated depreciation	<u>35,856,589</u>	<u>3,612,740</u>	<u>(2,178,338)</u>	<u>37,290,991</u>
Total historical cost, net	<u>\$89,568,107</u>	<u>\$19,102,717</u>	<u>(\$2,137,910)</u>	<u>\$106,532,914</u>
Depreciation expense (unallocated)				<u>\$3,612,740</u>

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NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$24,621,137			\$6,088,673
Special aid fund		\$12,982,646		79,364
School lunch fund		150,221	607,941	
Debt service fund			5,365,096	
Capital fund		191,361	200,000	5,000
Total government activities	24,621,137	13,324,228	6,173,037	6,173,037
Fiduciary agency fund		11,296,909		
Totals	<u>\$24,621,137</u>	<u>\$24,621,137</u>	<u>\$6,173,037</u>	<u>\$6,173,037</u>

The BOCES typically transfers from the general fund to the capital projects fund, to finance capital projects. The BOCES typically transfers from the general fund to the debt service fund for annual debt service requirements. The BOCES typically transfers from the general fund to the school lunch fund to subsidize the operations of the school lunch program.

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

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

NOTE 9 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
RAN	7/29/2009	2.00%	\$12,000,000		\$12,000,000	\$0
RAN	7/29/2010	0.45-0.62%	\$0	\$12,000,000	\$0	\$12,000,000
Total			<u>\$12,000,000</u>	<u>\$12,000,000</u>	<u>\$12,000,000</u>	<u>\$12,000,000</u>

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NOTE 10 – LONG-TERM DEBT OBLIGATIONS:

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
General obligation bonds	\$39,430,000	\$17,525,000	(\$2,140,000)	\$54,815,000	\$2,770,000
Total bonds & notes payable	<u>39,430,000</u>	<u>17,525,000</u>	<u>(2,140,000)</u>	<u>54,815,000</u>	<u>2,770,000</u>
Other liabilities:					
Net other postemployment benefits obligation	64,989,711	34,587,108	0	99,576,819	0
Compensated absences payable	6,552,278	0	(316,767)	6,235,511	14,389
Installment debt	7,677,697	4,239,063	(3,685,523)	8,231,237	3,140,826
Total other liabilities	<u>79,219,686</u>	<u>38,826,171</u>	<u>(4,002,290)</u>	<u>114,043,567</u>	<u>3,155,215</u>
Total long-term liabilities	<u>\$118,649,686</u>	<u>\$56,351,171</u>	<u>(\$6,142,290)</u>	<u>\$168,858,567</u>	<u>\$5,925,215</u>

The general fund has typically been used to liquidate long-term liabilities such as compensated absences.

Existing serial and statutory bond obligations are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
Dormitory Authority bond	12/11/2001	8/15/2021	3.5-5.25%	\$25,570,000
Dormitory Authority bond	12/11/2003	8/15/2023	2.0-5.25%	11,720,000
Dormitory Authority bond	7/9/2009	8/15/2028	3.0-5.00%	17,525,000
				<u>\$54,815,000</u>

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The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$2,770,000	\$2,625,911	\$5,395,911
2012	2,970,000	2,503,711	5,473,711
2013	3,095,000	2,373,755	5,468,755
2014	3,225,000	2,231,253	5,456,253
2015	3,380,000	2,074,484	5,454,484
2016 - 2020	19,575,000	7,610,331	27,185,331
2021 - 2025	13,575,000	2,364,375	15,939,375
2025 - 2028	6,225,000	806,963	7,031,963
	<u>\$54,815,000</u>	<u>\$22,590,783</u>	<u>\$77,405,783</u>

The following is a summary of debt service requirements for installment debt:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$3,140,826	\$284,225	\$3,425,051
2012	2,648,161	164,594	2,812,755
2013	1,407,949	78,557	1,486,506
2014	931,301	24,319	955,620
2015	103,000	1,941	104,941
	<u>\$8,231,237</u>	<u>\$553,636</u>	<u>\$8,784,873</u>

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

Interest paid	<u>\$2,403,653</u>
Less interest accrued in the prior year	(814,619)
Plus interest accrued in the current year	<u>1,041,708</u>
Total expense	<u>\$2,630,742</u>

NOTE 11 – PENSION PLANS:

A) General information:

The BOCES participates in the New York State Employees' Retirement System (NYSERS) (the "System") and the New York State Teachers' Retirement System (NYSTRS) (the "System"). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B) Provisions and administration:

i) Teachers' Retirement System

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

ii) Employees' Retirement System

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

C) Funding policies:

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The BOCES is required to contribute at an actuarially determined rate. The BOCES contributions made to the Systems were equal to 100% of the contributions required for each year.

NOTE 12 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The BOCES primarily provides post employment health insurance coverage to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan (the "Plan"), which is a single-employer defined benefit healthcare plan.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B) Funding Policy:

The contribution requirements of Plan members and the BOCES are established and may be amended by the BOCES. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the BOCES contributed \$9,566,708 to the plan. Plan members receiving benefits contributed \$1,422,247 or approximately 20% of the total premiums paid.

C) Annual OPEB Cost and Net OPEB Obligation:

The BOCES annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the BOCES annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the BOCES net OPEB obligation to the Plan:

Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution	\$45,228,287
Interest on net OPEB obligation	2,949,764
Adjustment to annual required contribution	<u>(4,024,235)</u>
Annual OPEB cost (expense)	44,153,816
Contributions made	<u>(9,566,708)</u>
Increase in net OPEB obligation	34,587,108
Net OPEB obligation-beginning of year	<u>64,989,711</u>
Net OPEB obligation-end of year	<u><u>\$99,576,819</u></u>

The BOCES annual OPEB cost, the percentage of annual OPEB cost contributes to the Plan and the net OPEB obligation for 2010 and the preceding year was as follows:

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$41,146,772	\$41,146,772	\$8,973,971	22%	\$32,172,801
6/30/09	\$42,746,657	\$42,219,597	\$9,402,687	22%	\$64,989,711
6/30/10	\$45,228,287	\$44,153,816	\$9,566,708	22%	\$99,576,819

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

D) Funded Status and Funding Progress:

As of the July 1, 2009, the most recent actuarial valuation the Plan was 0 % funded. The actuarial accrued liability for benefits was \$450,273,531, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$450,273,531. The covered payroll (annual payroll of active employees covered by the plan) was \$145,848,907, and the ratio of the UAAL to the covered payroll was 309 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to 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, provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E) Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the BOCES and the Plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 4.5% and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized using the level dollar amortization method over a period of 30 years.

NOTE 13 – RISK MANAGEMENT:

A) General:

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

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B) Consortiums and Self Insured Plans:

The BOCES participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its BOCES property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the BOCES has essentially transferred all related risk to the pool. As of June 30, 2010, the BOCES has a reserve for property loss with a balance of \$253,588.

NOTE 14 – FUND BALANCES:

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

NOTE 15 – COMMITMENTS AND CONTINGENCIES:

A. Grants:

The BOCES has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the BOCES administration believes disallowances, if any, will be immaterial.

B. Litigation:

The BOCES is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the BOCES insurance coverage. However, it is not possible to determine the BOCES potential exposure, if any, at this time.

C. Leases:

BOCES, as lessee, has various leases for its educational and administrative facilities. The following is a schedule, by year, of the future minimum rental payments required under leases as of June 30, 2010.

Fiscal Year Ended June 30,	Total
2011	\$4,485,968
2012	3,532,520
2013	2,660,836
2014	1,876,395
2015	1,801,932
2016 - 2017	2,581,414
	\$16,939,065

Rental expense for the year approximated \$4,077,000.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 – OTHER CHANGES IN NET ASSETS AND FUND BALANCES:

Fund balance and net assets have been changed to give effect as follows:

	Net Assets	General Fund	Capital Projects Fund
Board authorized transfers from 6/30/2009 surplus	\$8,040,109	\$0	\$8,040,109
Reclass employee benefit accrued liability reserve	351,107	351,107	0
Reclass property loss reserve	(10,905)	(10,905)	0
Reclass unemployment reserve	2,039	2,039	0
Reclass prior period adjustment	(258)	\$0	(258)
Reclass employee retirement contribution reserve	38,323	38,323	0
Reclass liability reserve	(40,841)	(40,841)	0
Transfer 6/30/10 surplus to school district account	(12,923,126)	(12,923,126)	0
Total changes in net assets and fund balance	<u>(\$4,543,552)</u>	<u>(\$12,583,403)</u>	<u>\$8,039,851</u>

SUPPLEMENTARY INFORMATION

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Revenues</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Revised Budget</u>
Administration 001	\$27,925,430	\$27,925,430	\$28,621,563	\$696,133
Occupational instruction 100 - 199	\$15,214,149	\$15,591,810	\$16,247,181	\$655,371
Instruction for handicapped 200 - 299	\$126,684,742	\$132,880,374	\$131,531,550	(\$1,348,824)
Itinerant services 300 - 399	\$195,065	\$210,357	\$196,319	(\$14,038)
General instruction 400 - 499	\$22,032,383	\$24,077,120	\$20,732,726	(\$3,344,394)
Instructional support 500 - 599	\$40,519,092	\$44,508,401	\$44,996,077	\$487,676
Other services 600 - 699	\$35,715,007	\$42,099,856	\$38,338,981	(\$3,760,875)
TOTAL REVENUES	<u><u>\$268,285,868</u></u>	<u><u>\$287,293,348</u></u>	<u><u>\$280,664,397</u></u>	<u><u>(\$6,628,951)</u></u>

See Paragraph on Supplementary Schedules Included in Auditors Report

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Expenditures</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
Administration 001	\$27,925,430	\$27,925,430	\$28,098,508	\$120,850	(\$293,928)
Occupational instruction 100-199	15,214,149	15,591,810	14,611,754	229,271	750,785
Instruction for handicapped 200-299	126,684,742	132,880,374	124,094,460	1,953,949	6,831,965
Itinerant services 300-399	195,065	210,357	156,006	3,093	51,258
General instruction 400-499	22,032,383	24,077,120	20,907,400	354,044	2,815,676
Instructional support 500-599	40,519,092	44,508,401	44,119,194	654,477	(265,270)
Other services 600-699	35,715,007	42,099,856	37,016,955	619,060	4,463,841
TOTAL EXPENDITURES	<u>\$268,285,868</u>	<u>\$287,293,348</u>	<u>269,004,277</u>	<u>\$3,934,744</u>	<u>\$14,354,327</u>
Excess Revenues over Expenditures			<u>\$11,660,120</u>		

See Paragraph on Supplementary Schedules Included in Auditors Report

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)
JUNE 30, 2010

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
July 1, 2007	\$0	\$ 399,395,267	\$ 399,395,267	0%	\$ 125,786,568	318%
July 1, 2008	\$0	\$ 423,490,775	\$ 423,490,775	0%	\$ 138,903,721	305%
July 1, 2009	\$0	\$ 450,273,531	\$ 450,273,531	0%	\$ 145,848,907	309%

See Paragraph on Required Supplementary Information Included in Auditors' Report

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
SUPPLEMENTARY INFORMATION
ANALYSIS OF ACCOUNT A431 AND A380 SCHOOL DISTRICT
JUNE 30, 2010

July 1, 2009 - Debit (Credit) Balance **\$28,915,031**

DEBITS

Billings to School Districts	279,986,540
Career and Technical Education Refund	221,558
Refund of Prior Year Surplus to Districts	2,500,000
Due from Section VIII Athletics	163,085
Medicare, Part D Receivable	185,000
Employee Overpayment	1,788
Transfer to Capital Fund (See Note 16)	8,040,109
Miscellaneous Adjustments	<u>2,240</u>

TOTAL DEBITS **291,100,320**

SUBTOTAL **320,015,351**

CREDITS

Collections from School Districts	280,432,723
Receivable from Athletics-Section VIII	184,000
Receivable from previous year Medicare Part D	172,000
Writeoff Uncollectible Receivables	69,702
Arts in Education Refund	<u>106,080</u>

TOTAL CREDITS **280,964,505**

June 30, 2010 - Debit (Credit) Balance **\$39,050,846**

BREAKDOWN OF A431 AND A380 DEBIT BALANCE

Receivables from Districts-A380	\$1,460,105
Receivables from Districts-A431	37,590,741
Surplus adjustments from Balance Sheet	(1,942,781)
Surplus Payable to Districts-Credit	<u>(12,923,126)</u>
Net Receivable from Districts - Debit	<u><u>\$24,184,939</u></u>

See Paragraph on Supplementary Schedules Included in Auditors Report

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF NASSAU COUNTY
SUMMARY STATEMENT OF CAPITAL PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Project #	Original Appropriations	Revised Appropriations	Expenditures Current Year	Expenditures Prior Year	Total Expenditures	Unexpended Balance	Methods of Financing		Total	Fund Balance June 30, 2010	
							Proceeds of Obligations	Local Sources			
ADMINISTRATIVE CENTER CARPET & PLUMBING	750.352	\$188,000	\$188,000	\$11,060	\$21,862	\$32,922	\$155,078	\$0	\$188,000	\$188,000	\$155,078
ADMINISTRATIVE CENTER REPAIRS	750.335	366,000	489,000	(11,999)	40,790	28,791	460,209	0	489,000	489,000	\$460,209
BALDWIN HARBOR DEMOLITION	750.293	2,000,000	1,114,314	147,915	966,399	1,114,314	0	0	1,114,314	1,114,314	\$0
BARRY TECH CENTER - DASNY	various	30,400,000	24,689,654	0	24,689,654	24,689,654	0	24,689,654	0	24,689,654	\$0
BARRY TECH EXT WATERPROOF & INT	750.353	105,100	105,100	18,307	28,177	46,483	58,617	0	105,100	105,100	\$58,617
BARRY TECH PAVING - DASNY	750.348	155,000	92,879	0	92,879	92,879	0	0	92,879	92,879	\$0
BARRY TECH SMALL ENGINE REPAIR	750.361	100,000	100,000	0	0	0	100,000	0	100,000	100,000	\$100,000
BARRY TECH STORAGE BUILDING - DASNY	750.330	12,000	12,000	0	8,802	8,802	3,198	0	12,000	12,000	\$3,198
BROOKVILLE FIRE ALARM-SMOKE DETECTOR	750.356	26,200	18,293	14,939	3,354	18,293	0	0	18,293	18,293	\$0
CAREER PREP ELEVATOR REPAIRS	750.369	126,000	126,000	6,623	0	6,623	119,377	0	126,000	126,000	\$119,377
CAREER PREP RENOVATIONS	750.313	7,870,214	7,281,010	15,000	7,157,060	7,172,060	108,950	0	7,281,010	7,281,010	\$108,950
CARMAN ROAD RENOVATIONS	750.365	0	859,367	355,600	177,800	533,400	325,967	0	859,367	859,367	\$325,967
CAUMSETT LEASE OBLIGATION	750.354	250,000	250,000	421	15,696	16,117	233,883	0	250,000	250,000	\$233,883
CLINTON ROAD CARD ACCESS	750.346	72,581	31,937	0	31,937	31,937	0	0	31,937	31,937	\$0
CLINTON ROAD NOC	750.328	82,234	78,614	0	78,614	78,614	0	0	78,614	78,614	\$0
CLINTON ROAD PURCHASE-DASNY	750.315	14,610,000	14,021,910	0	14,019,249	14,019,249	2,661	14,021,910	0	14,021,910	\$2,661
DISTRICTWIDE RENOVATIONS	750.290	3,000,000	25,852,520	0	0	0	25,852,520	0	25,852,520	25,852,520	\$25,852,520
DISTRICTWIDE RENOVATIONS	750.290	5,580,000	5,580,000	0	0	0	5,580,000	0	5,580,000	5,580,000	\$5,580,000
DUFFY AVENUE	750.339	0	610,907	0	515,145	515,145	95,762	0	610,907	610,907	\$95,762
EAGLE AVENUE - VERTICAL PLATFORM	750.368	90,000	90,000	0	0	0	90,000	0	90,000	90,000	\$90,000
GREENVALE RENOVATIONS	750.360	14,450,813	14,450,813	3,913,411	7,246	3,920,657	10,530,156	0	14,450,813	14,450,813	\$10,530,156
GREENVALE RENOVATIONS - DASNY	750.349	499,187	449,187	17,065	431,794	448,859	328	0	449,187	449,187	\$328
HASKETT DR BLDG A FIRE ALARMS	750.370	82,000	82,000	4,762	0	4,762	77,238	0	82,000	82,000	\$77,238
HASKETT ROOF RECOAT (RESCUE)	750.347	72,000	22,458	0	22,458	22,458	0	0	22,458	22,458	\$0
KAROPCZYC / GALLOW MOVE	750.372	243,000	243,000	0	0	0	243,000	0	243,000	243,000	\$243,000
L.I.H.S.A. CENTER RENOVATIONS	750.316	523,000	831,482	0	831,482	831,482	0	0	831,482	831,482	\$0
L.I.H.S.A. GRAPHIC ARTS LAB	750.362	220,000	219,899	0	219,899	219,899	(0)	0	219,899	219,899	\$0
L.I.H.S.A. VINYL FLOOR REPAIRS	750.355	128,500	128,500	17,601	45,922	63,522	64,978	0	128,500	128,500	\$64,978
ONE MERRICK AVENUE	750.363	0	2,320,035	163,226	2,146,914	2,310,140	9,895	0	2,320,035	2,320,035	\$9,895
PURCHASE ONE MERRICK AVE. (DASNY)	750.366	170,000	16,975,409	16,965,345	0	16,965,345	10,064	16,975,409	0	16,975,409	\$10,064
RKC - WINDOW REPLACEMENT	750.340	830,000	3,400,000	0	179,531	179,531	3,220,469	0	3,400,000	3,400,000	\$3,220,469
RKC INTERIOR REPAIRS & SIGN INSTALLATION	750.357	140,100	140,033	0	140,033	140,033	0	0	140,033	140,033	\$0
RKC REPLACE FIRE ALARMS	750.358	206,800	167,544	0	167,544	167,544	(0)	0	167,544	167,544	\$0
ROSEMARY KENNEDY - RESCUE	750.367	200,000	200,000	57,303	0	57,303	142,697	0	200,000	200,000	\$142,697
SEAFORD / LIHSA RELOCATION	750.371	308,000	308,000	28,574	0	28,574	279,426	0	308,000	308,000	\$279,426
UNALLOCATED DASNY		706,126	3,289,366	5,000	434,873	439,873	2,849,493	3,111,225	178,141	3,289,366	\$2,849,493
WILLET AVE. SCHOOL	750.364	0	560,000	448,975	(833)	448,141	111,859	0	560,000	560,000	\$111,859
TOTALS		\$93,809,905	\$125,379,231	\$27,179,126	\$52,474,279	\$74,653,405	\$50,725,826	\$58,798,198	\$66,581,033	\$125,379,231	\$50,725,825

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

To the Board of Education
Board of Cooperative Educational Services of Nassau County

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Board of Cooperative Educational Services of Nassau County as of and for the year ended June 30, 2010, which collectively comprise the Board of Cooperative Educational Services of Nassau County's basic financial statements and have issued our report thereon dated October 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board of Cooperative Educational Services of Nassau County's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Board of Cooperative Educational Services of Nassau County in a separate letter dated October 12, 2010.

This report is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

R.S. Abrams & Co. LLP

R.S. Abrams & Co. LLP
October 12, 2010

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND AGREEMENTS

The following is a brief summary of certain provisions of the Amended and Restated Lease and Agreements relating to the Series 2011 Bonds. Such summary does not purport to be complete and reference is made to the Agreements for full and complete statements of such and all provisions. Unless otherwise indicated, the provisions summarized below are found in each of the 2001 Agreement and 2003 Agreement. Defined terms used in the Agreements will have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Term of Lease

The term of the Agreements will commence on the date on which the Series 2011 Bonds are first issued and delivered by the Authority, and with respect to the 2001 Agreement and 2003 Agreement, will terminate on the earliest of August 15, 2021 and August 15, 2023, respectively, the date on which no Series 2011 Bonds are Outstanding and BOCES has satisfied its obligations under the Applicable Agreement (the "Lease Term"). Notwithstanding the termination of the term of an Agreement, the obligations of BOCES under such Agreement will not terminate unless and until no Series 2011 Bonds are outstanding and BOCES has satisfied its obligations under such Agreement, provided that the sections from the Agreement as summarized under the headings "Indemnification of Authority and Limitation on Liability" and "Tax Exempt Status of the Bonds" herein will survive such termination.

(Section 2.02)

Payment of Rentals

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

(i) Subject to subdivision (e) of this subsection, on each September 1, or if such September is not a Business Day then the next succeeding Business Day, the interest on Outstanding Series 2011 Bonds payable on the next succeeding February 15 and August 15 and the principal and Sinking Fund Installments of Outstanding Series 2011 Bonds payable by reason of maturity and redemption on the next succeeding August 15;

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

(iii) On the fifth Business Day prior to each interest payment date, the amount, if any, necessary to cause the amount on deposit in the Debt Service Fund to equal the amount of principal of and interest payable on the Series 2011 Bonds on such interest payment date.

BOCES will have the option to make from time to time prepayments in part of payments due as aforesaid of Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Series 2011 Bonds, if such prepayment is to be used for the purchase or redemption of such Series 2011 Bonds. To the extent that BOCES prepays all of the Basic Rent payable with respect to a Project (as determined by the Authority and BOCES), such Project may be released from the Applicable Agreement. The Trustee will apply such prepayments in such manner consistent with the provisions of the Master Resolution as may be specified in writing by BOCES at the time of making such prepayment.

Subject to the provisions of the Applicable Agreement and of the Master Resolution, BOCES will receive a credit against the amount required to be paid by BOCES pursuant to subparagraph (i) of this subsection (a) on account of any Sinking Fund Installments if, not less than forty-five (45) days prior to an August 15 on which a Sinking Fund Installment is scheduled to be due, there will be delivered to the Trustee for cancellation one or more of the Series 2011 Bonds of the Series and maturity to be so redeemed on such August 15. The amount of the credit will be equal to the principal amount of Bonds so delivered and cancelled.

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

(i) On the date of delivery of the Series 2011 Bonds, to the extent not paid from the proceeds of the Series 2011 Bonds, the Authority Fee and any Administrative Expenses, as estimated by an Authorized Officer of the Authority, incurred in connection with the issuance of the Series 2011 Bonds;

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

(iii) The Administrative Expenses of the Authority, the Trustee and each Paying Agent for the Series 2011 Bonds, within sixty (60) days after notice of the amount thereof is given to BOCES; and

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

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

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

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

The Authority will notify BOCES of the receipt of any payment of State funds by the Authority or the Trustee after September 1 no more than ten (10) days after receipt of such funds, which notice will state the amount received by the Trustee and the Authority and the amount still due and payable. If the amount of State funds received by the Trustee or the Authority by January 1 of each year is less than the amount of interest payable on the Series 2011 Bonds on February 15, BOCES will pay to the Trustee by January 15 the difference between the amount of State funds received and the interest payable on the Series 2011 Bonds on February 15. If the amount of State funds received by the Trustee or the Authority by July 1 of each year, after the application of the amounts necessary to make the interest payments due on the preceding February 15, is less than the amount of principal and interest payable on the Series 2011 Bonds on August 15, BOCES will pay to the Trustee by July 15 the difference between the amount of State funds received and the principal and interest payable on the Series 2011 Bonds on August 15.

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

to the Trustee by July 15 the difference between the amount of State funds received and the amount of money to make up the deficiency in the Debt Service Reserve Fund and satisfy the Debt Service Reserve Fund Requirement.

(Section 4.01)

Indemnification of Authority and Limitation on Liability

Both during the Lease Term and thereafter, BOCES, to the extent permitted by law, (i) releases the Authority and each director, officer and employee of the Authority from claims for damages or liability arising from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement, or use of the Leased Property pursuant to the Agreements, and (ii) will indemnify and hold the Authority and each member, officer and employee of the Authority harmless against any and all liabilities, losses, costs, damages or claims, and will pay any and all judgments or expenses of any and all kinds or nature and however arising, imposed by law, including interest thereon, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, action, suit, charge or proceeding arising (1) from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement or use of the Leased Property (including the Project), pursuant hereto, based upon: personal injury, death, or damage to property, whether real, personal or mixed; or upon or arising out of contracts entered into by the Authority; or (2) upon or arising out of the Authority's ownership of a leasehold estate of the Leased Property or the leasing thereof to BOCES; or (3) upon or arising out of the acquisition of the Leased Property, or upon or arising out of an allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of the Series 2011 Bonds contained an untrue or misleading statement of a material fact obtained from BOCES relating to BOCES or the Project, or omitted to state a material fact relating to BOCES or the Project necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that neither the Authority nor a member, officer or employee of the Authority will be released, indemnified or held harmless from any claim for damages, liability, loss, cost, damage, judgment or expense arising out of the gross negligence or willful misconduct of the Authority, such member, officer or employee. The Authority will not settle any such suit, action or proceeding without the prior written consent of counsel to BOCES.

(Section 4.03)

Nature of Obligation

The obligation of BOCES to pay Rentals and to pay all other amounts provided for in the Agreements and to perform its obligations thereunder are absolute and unconditional, and such Rentals and other amounts are payable without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other person and whether or not any or all of the Project is used or occupied or available or suitable for use or occupancy and whether or not the BOCES Lease is in effect. If BOCES has paid all amounts required under the Agreements and continues to pay the same when due, it will not be precluded from bringing any action it may otherwise have against the Authority; provided, however, that BOCES will not as a result of BOCES' failure to pay any Administrative Expenses or Annual Administrative Fee be precluded from bringing any such action if the amount thereof is disputed or is being contested by BOCES in good faith.

The Agreements are general obligations of BOCES and any successor thereto. Any payment required to be made by BOCES to the Authority pursuant thereto will be deemed an administrative expense within the meaning of section nineteen hundred fifty of the Education Law of the State.

(Section 4.04)

Pledge by BOCES

BOCES assigns and pledges to the Authority a sufficient portion of any and all public funds to be apportioned or otherwise to be made payable by the State to BOCES, to cover the payments required under the Lease Agreement and directs and acknowledges that such amounts will be paid directly to the Applicable Trustee as provided in the Act and Section 3609-d of the Education Law of the State. Such assignment and pledge will be irrevocable and will continue until the date on which the liabilities of the Authority and the Project have been discharged and the Bonds of the Authority issued have been paid or such Bonds have otherwise been discharged.

BOCES agrees that the pledges and assignments made under the Lease Agreement from any State funds payable to BOCES and received by the Trustee will be applied in the following order of priority: (1) first, to any payments to be made by BOCES required pursuant to the Lease Agreement with regard to the Series 2003 Bonds required pursuant to the Lease Agreement; (2) second, to any payments to be made by BOCES with regard to the Series 2009 Bonds required pursuant to the Lease Agreement relating to the Series 2009 Bonds; and (3) third, to any payments to be made by BOCES with regard to the Series 2011 Bonds required pursuant to the Lease Agreement.

(Section 4.05)

Operation, Maintenance and Repair

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

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

(Section 5.01)

Utilities, Taxes and Governmental Charges

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

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

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

(Section 5.02)

Additions, Enlargements and Improvements

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

than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Project on the Leased Property will be and become a part of the Project and the property leased to the Authority under the Agreements.

(Section 5.03)

Insurance

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

(Section 5.05)

Damage or Destruction

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

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

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

In the event BOCES elects not to repair, reconstruct, restore or improve the Leased Property, the net proceeds of any insurance will be paid to the Authority, as a prepayment of the Rentals under the Applicable Agreement, for deposit to the Debt Service Fund and application to the redemption of Outstanding Series 2011 Bonds or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Master Resolution as summarized in Appendix D under the heading "Defeasance" for the payment of Outstanding Series 2011 Bonds in accordance with the written instructions of an Authorized Officer of the Authority.

(Section 5.06)

Condemnation

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

condemnation or taking during the Lease Term. Such net proceeds will be initially paid to the Authority for deposit and application as hereinafter provided.

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

In the event BOCES elects not to repair, reconstruct, restore or improve such Project, the award will be paid to the Authority, as a prepayment of the Rentals under the Applicable Agreement, for deposit to the Debt Service Fund and application to the redemption of Outstanding Series 2011 Bonds or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Master Resolution as summarized in Appendix D under the heading “Defeasance” for the payment of Outstanding Bonds in accordance with the written instructions of an Authorized Officer of the Authority.

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

(Section 5.07)

Assignment by BOCES

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

(Section 7.04)

Use of Project

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

(Section 7.05)

Restrictions on Religious Use

BOCES agrees that with respect to any Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or any portion thereof will not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction will not prohibit the free exercise of any religion and will not restrict or inhibit compliance with the Equal Access Act, 20 U.S.C. Sections 4071-4074; and, further provided, however, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction will not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being

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

(Section 7.06)

Sale; Subletting

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

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

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

(Section 7.07)

Covenant not to Affect the Tax Exempt Status of the Bonds

BOCES, so long as it leases a Project and Leased Property under the Agreements, (i) will take no action, or permit any action to be taken, or omit to take any action, with respect to the Project or any Project which will adversely affect the exclusion of interest on any Series 2011 Bonds from gross income for purposes of federal income taxation; (ii) will not invest or otherwise use “gross proceeds” of the Series 2011 Bonds in a manner which would cause any Series 2011 Bond (other than a Series 2011 Bond designated as federally taxable) to be an “arbitrage bond” within the meaning of Section 148 of the Code, and any proposed or final regulations thereunder as are applicable to any Series 2011 Bond; and (iii) will not, nor will any “related person,” as defined in Section 147(a)(2) of the Code, pursuant to an arrangement, formal or informal, purchase Series 2011 Bonds (other than Series 2011 Bonds designated as federally taxable) in an amount related to the amount of any obligation to be acquired by the Authority from BOCES.

(Section 7.09)

Events of Default and Remedies

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

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

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

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

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

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

(Section 8.01)

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

(Section 8.02)

Amendments, Changes and Modifications

The Agreements may be amended, changed or modified in any respect provided that each amendment, change or modification is in writing signed by an Authorized Officer of the Authority and of BOCES; provided, however, that no amendment, change or modification will take effect unless and until (i) if the consent of Holders of Outstanding Series 2011 Bonds is required by the Master Resolution as summarized in Appendix D under the heading "Amendment, Change, Modification or Waiver of Agreements," there will have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Series 2011 Bonds specified under such heading of the Master Resolution, (ii) if the consent of the Trustee is required by such section, the Trustee will have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, will have been filed with the Trustee.

(Section 9.04)

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

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION

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

Master Resolution, Series Resolution and Bonds Constitutes Separate Contracts

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

(Section 1.03)

Authorization of the Series 2011 Bonds

The Bonds will be issued pursuant to the Master Resolution, the Series 2011 Resolution and the Act. In addition to the Series 2011 Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for such other purposes as are authorized by the Master Resolution.

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

(Section 2.01)

Additional Bonds and Other Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Master Resolution or Applicable Series Resolution, entitled to a charge or lien or right prior or equal to the charge or lien created by the Master Resolution, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Master Resolution or with respect to the moneys pledged under thereunder or pursuant to an Applicable Series Resolution.

(Section 2.05)

Authorization of Redemption

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

(Section 4.01)

Redemption at Election of the Authority

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

(Section 4.02)

Selection of Bonds to Be Redeemed

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

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee will give notice of the redemption of the Bonds in the name of the Authority. Such notice, unless the Bonds are book entry Bonds, will be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Such notice will be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee will promptly certify to the Authority that it has mailed or caused to be mailed such notice to the registered owners of the Bonds to be redeemed in the manner provided in the Master Resolution. Such certificate will be conclusive evidence that such notice was given in the manner required by the Master Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice will not affect the validity of the proceedings for the redemption of the Bonds. If the Bonds to be redeemed are book entry Bonds, the Trustee will mail a copy of the notice to the Depository not less than thirty-five (35) days prior to the

redemption, but if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the dated of publication.

Any notice of redemption, unless moneys will be received by the Trustee prior to giving such notice sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, may state that such redemption will be conditional upon the receipt of such moneys by the Trustee by 1:00 P.M. (New York time) on the date fixed for redemption. If such moneys are not so received said notice will be of no force and effect, the Authority will not redeem such Bonds and the Trustee will give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

(Section 4.05)

Payment of Redeemed Bonds

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

(Section 4.06)

Pledge of Revenues

The proceeds from the sale of the Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues, and all funds authorized by the Master Resolution and established pursuant to an Applicable Series Resolution, other than the Applicable Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Master Resolution and under any Series Resolution, all in accordance with the provisions of the Master Resolution and any Series Resolution. The pledge of the Revenues subject to the adoption of an Applicable Series Resolution will relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge will not secure any such other Series of Bonds. The pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Master Resolution and by any Series Resolution will immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge will be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds will be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the Authority's interest in the Applicable Pledged Revenues and the funds established by the Master Resolution and pursuant to the Applicable Series Resolution, which are pledged, such pledge will constitute a first lien thereon, subject only, with respect to such Applicable Pledged Revenues, to the Applicable Prior Pledges.

(Section 5.01)

Establishment of Funds

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

- Construction Fund;
- Debt Service Fund;
- Debt Service Reserve Fund;
- Building and Equipment Reserve Fund; and
- Arbitrage Rebate Fund

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

(Section 5.02)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of each Series of Bonds, there will be deposited in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority will deposit in the Applicable Construction Fund any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement of any Project, including without limitation, the equity contribution, if any, provided by a BOCES. Except as otherwise provided in the Master Resolution, any Applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund will be used only to pay the Costs of Issuance of the Bonds and the Costs of the Applicable Project.

An Applicable Project will be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of BOCES which certificate will be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to BOCES and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate will state that such Project has been completed substantially in accordance with the Plans and Specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such BOCES, will specify the date of completion.

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

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

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

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

Following the occurrence and during the continuation of an Event of Default under an Applicable Agreement, the Authority may, in its sole discretion, transfer moneys in the Applicable Construction Fund to the Trustee for

application pursuant to the provisions of the Master Resolution as summarized below under the heading “Debt Service Fund”.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

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

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

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

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

(Section 5.05)

Debt Service Fund

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

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

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

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

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

Notwithstanding the above, the Authority may, at any time subsequent to the first day of any Bond Year but in no event less than forty five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment.

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

Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of the Applicable Series payable during the next succeeding Bond Year, the interest on Outstanding Bonds of the Applicable Series payable on and prior to the earlier of the next succeeding February 15 or August 15, and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, will be paid or applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority (i) to the purchase of Outstanding Bonds of the Applicable Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority will direct or (ii) to the redemption of Bonds of the Applicable Series as provided in the Master Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Applicable Bond Series Certificate.

(Section 5.07)

Debt Service Reserve Fund

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

In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided, however, (i) that any such surety bond or insurance policy will be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category by a Rating Agency and (ii) that any letter of credit will be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in not less than the second highest rating category by a Rating Agency.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility will be deposited in full or partial satisfaction of the Applicable Debt Service Reserve Fund Requirement unless the Trustee and each Facility Provider of an Applicable Reserve Fund Facility will have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to each Facility Provider and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility substantially to the effect that payments under such letter of credit

will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or BOCES thereunder.

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

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

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

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

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

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

(Section 5.08)

Arbitrage Rebate Fund

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

Moneys on deposit in the Applicable Arbitrage Rebate Fund will be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority will determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated will first, be applied to reimburse, pro rata, each Facility Provider for moneys advanced under an Applicable Reserve Fund Facility, including interest thereon, which is then unpaid, in proportion to the respective amounts advanced by each such Facility Provider; and then be deposited to any fund or account established under the Master Resolution in accordance with the written direction of such Authorized Officer.

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

(Section 5.09)

Computation of Assets of Certain Funds

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

(Section 5.12)

Security for Deposits

All moneys held under the Master Resolution by the Trustee will be continuously and fully secured, for the benefit of the Authority and the Holders of the Applicable Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it will not be necessary for the Trustee or any Paying Agent to

give security for the deposit of any moneys with them pursuant to the sections of the Master Resolution described above under the heading “Debt Service Fund” and below under the heading “Defeasance,” and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which will be represented by obligations purchased or other investments made under the provisions of the Master Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

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

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

Obligations purchased or other investments made as an investment of moneys in any fund or account held under the provisions of the Master Resolution will be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof will be credited or charged, as the case may be, to such fund or account.

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

(Section 6.02)

Accounts and Audits

The Authority covenants to keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries will be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, will be subject to the inspection of the Trustee, BOCES or of any Holder of a Bond or his representative duly authorized in writing. The Trustee will annually prepare a report which will be furnished to the Authority, each Facility Provider, each Credit Facility Issuer and the

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

(Section 7.05)

Creation of Liens

Except as permitted under the Master Resolution, the Authority covenants not to create or cause to be created any lien or charge prior or equal to that of the Bonds of an Applicable Series on the proceeds from the sale of the Bonds, the Applicable Revenues or the funds and accounts established by the Master Resolution or by any Applicable Series Resolution which are pledged by the Master Resolution; provided, however, that nothing contained in the Master Resolution will prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Master Resolution.

(Section 7.06)

Enforcement of Obligations of BOCES

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

(Section 7.07)

Amendment, Change, Modification or Waiver of Agreements

Neither an Applicable Agreement nor an Applicable Lease Agreement may be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of the Outstanding Bonds of the Applicable Series without the prior written consent of the Holders of at least a majority in aggregate principal amount of such Bonds then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds of the Applicable Series under the Master Resolution; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of such Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by BOCES under the Applicable Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in the Master Resolution, an Agreement or a Lease Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, an Agreement or a Lease Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of such Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of the Applicable Project or which may be added to such Project; (ii) to provide for the financing of additional Costs of the Project leased pursuant to such Applicable Agreement or the financing of Additional Projects for the Applicable BOCES through the issuance of an additional Series of Bonds (provided that

such amendment provide for additional rent to be paid by the Applicable BOCES sufficient to pay such the debt service on such additional Series of Bonds and related costs and will further provide that the pledge of Pledged Revenues to secure such additional rent is subordinate to any pledge of Pledged Revenue previously made by such BOCES and that additional rent payable on a particular day may only be paid after the payment of the amounts to be paid by such BOCES on such date prior to such amendment); (iii) to provide for the issuance of Bonds of an Applicable Series; or (iv) to cure any ambiguity or correct or supplement any provisions contained in the Applicable Agreement or the Applicable Lease Agreement, as the case may be, which may be defective or inconsistent with any other provisions contained in the Master Resolution or in such Agreement or a Lease Agreement.

An Applicable Series will be deemed to be adversely affected by an amendment, change, modification or alteration of the Applicable Agreement or Applicable Lease Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of an Applicable Series would be adversely effected in any material respect by any amendment, change, modification or alteration, and any such determination will be binding and conclusive on the Authority and all Holders of such Bonds.

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

(Section 7.10)

Notice as to Agreement Default

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

(Section 7.11)

Modification and Amendment without Consent of Holders

The Authority may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution will become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

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

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

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

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

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

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

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

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

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

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

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

(Section 9.04)

Powers of Amendment

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

(Section 10.01)

Supplemental Resolutions Effective with Consent of Bondholders

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

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

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Master Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Applicable Bonds then Outstanding, such consent to be given as provided in the Master Resolution, except that no notice to the Bondholders, either by mailing or by publication, will be required.

(Section 10.03)

Consent of Facility Provider

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

(Section 10.04)

Events of Default

Events of Default under the Master Resolution include: failure by the Authority to pay the principal, Sinking Fund Installments or Redemption Price of any Bond when the same will become due and payable; failure by the Authority to pay an installment of interest on any Bond when the same will become due and payable; the Authority defaults in the due and punctual performance of the tax covenants contained in the Series Resolution and, as a result thereof, the interest on the Bonds of a Series is no longer excludable from gross income under Section 103 of the Code (a "Taxability Default"); and default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied has been given to the Authority by the Trustee, which may give such notice in its discretion and must give such notice at the written request of the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

(Section 11.02)

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the section of the Master Resolution described above under the heading "Events of Default", then and in every such case, the Trustee may proceed, and upon the written request of the Facility Provider of a Reserve Fund Facility, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series or, in the case of a happening and continuance of a Taxability Default, upon the written request of the Holders of not less than

twenty five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series affected thereby, will proceed (upon receiving compensation, expenses and indemnity to its satisfaction), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Master Resolution or under any Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, as the Trustee deems most effectual to protect and enforce such rights.

(Section 11.04)

Limitation of Rights of Individual Bondholders

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

(Section 11.08)

Defeasance

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

Bonds for the payment or redemption of which moneys will have been set aside and will be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Master Resolution notice of redemption on said date of such Bonds, (b) there has been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee has received the written consent of each Facility Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility, Liquidity Facility or Reserve Fund Facility issued by it or the interest thereon have not been repaid to such Facility Provider, and (d) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority has given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and

stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority will give written notice to the Trustee of its selection of the Series and maturity payment of which will be made in accordance with this paragraph. The Trustee will select the Bonds of like Series and maturity payment of which will be made in accordance with the Master Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, must, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

(Section 12.01)

No Recourse under Master Resolution or on the Bonds

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

(Section 14.04)

**FORM OF APPROVING OPINION
OF BOND COUNSEL**

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_____, 2011

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

Re: \$24,785,000 Dormitory Authority of the State of New York Master BOCES
Program Lease Revenue Refunding Bonds (Nassau County Issue), Series 2011

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance of \$24,785,000 aggregate principal amount of its above-referenced bonds (the "Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), and the Authority's Master BOCES Program Lease Revenue Bond Resolution, adopted August 15, 2001, as amended and supplemented (the "Resolution"), and the Series Resolution Authorizing Up To \$30,000,000 Master BOCES Program Lease Revenue Refunding Bonds (Nassau County Issue), Series 2011, adopted March 30, 2011 (the "Series 2011 Resolution"). The Resolution and the Series 2011 Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into two Agreements of Lease, each dated as of March 30, 2011 (the "Agreements"), between the Authority and the Board of Cooperative Educational Services of the Sole Supervisory District of Nassau County ("Nassau BOCES"), whereby Nassau BOCES leased the Projects to the Authority. The Authority has entered into two Lease and Agreements, each dated as of March 30, 2011, between the Authority and Nassau BOCES (the "Lease Agreements"), whereby the Authority leased the Projects back to Nassau BOCES. The Lease Agreements provide, among other things, for making the proceeds of the Bonds available to Nassau BOCES for the purposes permitted thereby and by the Resolutions. Pursuant to the Lease Agreements, Nassau BOCES is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Bonds.

The Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the Lease Agreements.

Interest on the Bonds is to be payable semiannually on February 15 and August 15 of each year, commencing on August 15, 2011. The Bonds are to mature on the dates and in the years and amounts set forth in the Bond Series Certificate executed and delivered pursuant to the Resolutions concurrently with the issuance of the Bonds.

The Bonds are to be issued in fully registered form in denominations of \$5,000 at maturity or any integral multiple thereof. The Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions and the Bond Series Certificate.

In such connection, we have reviewed the Resolutions, the Agreements, the Lease Agreements, the Tax Certificate and Agreement dated as of the date hereof (the "Tax Certificate and Agreement") between the Authority and Nassau BOCES, opinions of counsel to the Authority, the Trustee and Nassau BOCES, certificates of the

Authority, the Trustee, Nassau BOCES and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Agreements, the Lease Agreements and the Tax Certificate and Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Agreements, the Lease Agreements and the Tax Certificate and Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. 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 foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions, the Lease Agreements, or the Agreements or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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 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 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the 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 Lease Agreements have been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by Nassau BOCES, constitutes the valid and binding agreement of the Authority in accordance with their terms.
5. The 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 Bonds. The Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Interest on the 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). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

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SPECIMEN MUNICIPAL BOND INSURANCE POLICY

A portion of the Series 2011 Bonds are Insured Bonds. The scheduled payment of principal and interest on such Insured Bonds will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2011 Bonds by Assured Guaranty Municipal Corp. in the form attached to this APPENDIX F.

A portion of the Series 2011 Bonds are not Insured Bonds. The scheduled payment of principal and interest on such Series 2011 Bonds that are not Insured Bonds will not be guaranteed under a municipal bond insurance policy.

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer



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