

NEW ISSUE



\$29,110,000	
DORMITORY AUTHORITY OF THE STATE OF NEW YORK ALBANY PUBLIC LIBRARY INSURED REVENUE BONDS, SERIES 2007	
Dated: Date of Delivery	Due: July 1, as shown on inside cover

Payment and Security: The Albany Public Library Insured Revenue Bonds, Series 2007 (the “Series 2007 Bonds”) are 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 under the Loan Agreement (the “Loan Agreement”) dated as of April 25, 2007 between Albany Public Library (the “Library”) and the Authority and all the funds and accounts (except the Arbitrage Rebate Fund) authorized under the Authority’s Albany Public Library Insured Revenue Bond Resolution, adopted April 25, 2007 (the “Resolution”) and established under the Authority’s Series Resolution Authorizing Up To \$29,110,000 Albany Public Library Insured Revenue Bonds, Series 2007, adopted April 25, 2007 (the “Series 2007 Resolution”).

The scheduled payment of the principal and Sinking Fund Installments of and interest on the Series 2007 Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series 2007 Bonds by Ambac Assurance Corporation (the “Insurer” or “Ambac Assurance”).



The Loan Agreement is a general obligation of the Library and requires the Library to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 Bonds, as such payments become due. The obligations of the Library under the Loan Agreement are secured by a pledge of the revenues of the Library, including real property tax assessments on real property located in the City School District of Albany for library purposes. At the time of the delivery of the Series 2007 Bonds, the Debt Service Reserve Fund will be funded in an amount equal to the Debt Service Reserve Fund Requirement.

The Series 2007 Bonds will not be a debt of the State of New York (the “State”) nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2007 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due January 1, 2008 and each July 1 and January 1 thereafter) on the Series 2007 Bonds will be payable by check or draft mailed to the registered owners thereof. Principal and Redemption Price of the Series 2007 Bonds will be payable at the principal corporate trust office of Deutsche Bank Trust Company Americas, New York, New York, the Trustee and Paying Agent.

The Series 2007 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 2007 Bonds will be made in book entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2007 Bonds, payments of the principal and Redemption Price of and interest on such Series 2007 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 2007 BONDS - Book-Entry Only System”.

Redemption: *The Series 2007 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described in this Official Statement.*

Tax Exemption: In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2007 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, such interest is included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax liability of certain corporations. Bond Counsel is also of the opinion that under existing statutes, including the Act, interest on the Series 2007 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivisions thereof. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership of, or the accrual or receipt of interest on, the Series 2007 Bonds. See “PART 10 – TAX MATTERS” herein.

The Series 2007 Bonds are offered when, as and if issued. The offer of the Series 2007 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality of the Series 2007 Bonds by Harris Beach PLLC, New York, New York, Bond Counsel and to certain other conditions. Certain legal matters will be passed upon for the Library by its Counsel, Whiteman Osterman & Hanna LLP, Albany, New York. The Authority expects to deliver the Series 2007 Bonds in definitive form in New York, New York on or about June 21, 2007.



\$29,110,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ALBANY PUBLIC LIBRARY
INSURED REVENUE BONDS, SERIES 2007

\$12,685,000 Serial Bonds

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number¹</u>	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number¹</u>
2008	\$450,000	4.00%	3.55%	649903PF2	2017	\$700,000	4.125%	4.15%	649903PQ8
2009	510,000	4.00	3.65	649903PG0	2018	730,000	4.25	4.25	649903PR6
2010	530,000	4.25	4.02	649903PH8	2019	760,000	4.25	4.30	649903PS4
2011	550,000	4.25	4.07	649903PJ4	2020	795,000	4.25	4.37	649903PT2
2012	575,000	4.25	4.11	649903PK1	2021	830,000	4.50	4.40*	649903PU9
2013	600,000	4.25	4.15	649903PL9	2022	865,000	4.50	4.45*	649903PV7
2014	625,000	4.00	4.00	649903PM7	2023	905,000	4.50	4.50	649903PW5
2015	650,000	4.00	4.05	649903PN5	2024	945,000	4.50	4.55	649903PX3
2016	675,000	4.00	4.10	649903PP0	2025	990,000	4.50	4.60	649903PY1

\$5,705,000 5.00% Term Bonds Due July 1, 2030, Yield 4.67%* CUSIP Number ¹649903PZ8
\$10,720,000 5.00% Term Bonds Due July 1, 2037, Yield 4.71%* CUSIP Number ¹649903QA2

* Priced to the first par call on July 1, 2017.

¹ CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2007 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2007 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2007 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Library, the Insurer or the Underwriter to give any information or to make any representations with respect to the Series 2007 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by any of the foregoing.

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 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Library, the Insurer and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority.

The Library has reviewed the parts of this Official Statement describing the Library, the Project, the Estimated Sources and Uses of Funds and Appendix B. The Library will certify as of the dates of sale and delivery by the Authority of the Series 2007 Bonds that such parts of this Official Statement do not contain any untrue statements of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Library makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

Other than with respect to information concerning the Insurer contained in “Part 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – The Financial Guaranty Insurance Policy” and the specimen financial guaranty insurance policy set forth in Appendix F, none of the information in this Official Statement has been supplied or verified by the Insurer, and the Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007 Bonds; or (iii) the tax status of the interest on the Series 2007 Bonds.

References in this Official Statement to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy do not purport to be complete. Refer to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy for full and complete details of their provisions. Copies of the Resolution, the Series 2007 Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy 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, the Library or the Insurer have remained unchanged after the date of this Official Statement.

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DORMITORY AUTHORITY - STATE OF NEW YORK
DAVID D. BROWN IV – EXECUTIVE DIRECTOR

515 BROADWAY, ALBANY, N.Y. 12207
GAIL H. GORDON, ESQ – CHAIR

OFFICIAL STATEMENT RELATING TO:

\$29,110,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
ALBANY PUBLIC LIBRARY
INSURED REVENUE BONDS, SERIES 2007

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority, the Library and the Insurer in connection with the offering by the Authority of \$29,110,000 principal amount of its Albany Public Library Insured Revenue Bonds, Series 2007 (the “Series 2007 Bonds”).

The following is a brief description of certain information concerning the Series 2007 Bonds, the Authority, the Library and the Insurer. A more complete description of such information and additional information that may affect decisions to invest in the Series 2007 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2007 Bonds are being issued (i) to pay the Costs of the Project; (ii) to purchase a surety bond issued by Ambac Assurance (the “Surety Bond”) for deposit to the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement; and (iii) to pay the Costs of Issuance of the Series 2007 Bonds. See “PART 5 – THE PROJECT” and “PART 6 – ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2007 Bonds will be issued pursuant to the Resolution, the Series 2007 Resolution and the Act. The Resolution authorizes the issuance of multiple Series of Bonds. Each Series of Bonds is to be separately secured by (i) the funds and accounts established pursuant to a Series Resolution and (ii) a Loan Agreement to be executed by and between the Authority and the Library. The Series 2007 Resolution authorizes the issuance of the Series 2007 Bonds in an amount not to exceed \$29,110,000. Each Series of Bonds shall additionally be insured by a financial guaranty insurance policy. Neither the funds and accounts established under any Series Resolution, nor any Loan Agreement entered into or Mortgage granted in connection with one Series of Bonds will secure any other Series of Bonds. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS” and “PART 3 – THE SERIES 2007 BONDS.”

The Authority

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

The Library

The Library is a school district public library and education corporation chartered by the Board of Regents of the State. The Library operates a library system located in the City of Albany, New York for the benefit of the residents of the City School District of Albany (the "School District"). See "PART 4 – THE LIBRARY" and "Appendix B – Audited Financial Statements of the Albany Public Library."

The Series 2007 Bonds

The Series 2007 Bonds will be dated their date of delivery and will bear interest from such date (payable January 1, 2008 and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 – THE SERIES 2007 BONDS – Description of the Series 2007 Bonds."

Payment of the Series 2007 Bonds

The Series 2007 Bonds will be special obligations of the Authority payable solely from the Revenues, which consist of certain payments to be made by the Library under the Loan Agreement. The Loan Agreement is a general obligation of the Library. Pursuant to the Resolution and the Series 2007 Resolution, the Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – Payment of the Series 2007 Bonds."

Authorization of Project, Payment and Tax Levy

A referendum passed on February 6, 2007 by the qualified voters in the School District authorized the Library to enter into the Loan Agreement to finance the acquisition, construction and/or renovation of five library branches (the "Project"). The qualified voters also authorized the Library to assign and pledge to the Authority funds in an amount sufficient to repay all obligations of the Library under the Loan Agreement, and authorized such funds to be raised by a real property tax assessment on real property located within the School District to be levied annually for library purposes by the School District on behalf of the Library.

Security for the Series 2007 Bonds

The Series 2007 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Pledged Revenues granted by the Library to the Authority under the Loan Agreement. The Authority's security interest in the Pledged Revenues will be a first lien thereon. The Pledged Revenues consist primarily of moneys derived from real property tax levies made on behalf of the Library by the School District. The Real Property Tax Law governs methods and procedures to levy, collect and enforce this tax. The Series 2007 Bonds will also be secured by all funds and accounts authorized by the Resolution and established by the Series 2007 Resolution (with the exception of the Arbitrage Rebate Fund). In the event of nonpayment by the Library under the Loan Agreement, the Authority is authorized to direct State and local officers including, without limitation, officers of the City of Albany and the School District to pay over to the Authority any and all funds owed to the Library by the State or any political subdivision in an amount sufficient to make all payments required to be made under the Loan Agreement. Such funds represent a portion of the Pledged Revenues. The Library may incur debt secured by a parity lien on certain of the Pledged Revenues with the prior written consent of the Authority and the Insurer. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – Security for the Series 2007 Bonds."

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

The Series 2007 Bonds will not be a debt of the City of Albany or the School District nor will the City of Albany or the School District be liable thereon or under the Loan Agreement.

The Series 2007 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

The Financial Guaranty Insurance Policy

Ambac Assurance has committed to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) guaranteeing the payment of the principal and Sinking Fund Installments of and the interest on the Series 2007 Bonds in accordance with the terms of the Financial Guaranty Insurance Policy. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – The Financial Guaranty Insurance Policy” and “Appendix F – Specimen Financial Guaranty Insurance Policy.”

The Mortgage

The Library’s obligations to the Authority under the Loan Agreement will be additionally secured by a Mortgage on the Mortgaged Property and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. The Authority may, but has no present intention to, assign the Mortgage and such security interests to the Trustee. Upon the happening of an Event of Default under the Resolution (other than a covenant default by the Authority which results in the interest on the Series 2007 Bonds no longer being excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”)), the Authority upon the request of the Insurer, is required to assign the Mortgage and such security interest to the Trustee. Unless the Mortgage and such security interests are assigned to the Trustee, neither the Mortgage, the security interests in such fixtures, furnishings and equipment nor any proceeds there from will be pledged to the Holders of the Series 2007 Bonds and the Holders of the Series 2007 Bonds should not regard the Mortgage as security for payment of principal of and interest on the Series 2007 Bonds. Property subject to the Mortgage may be released and the Mortgage may be amended with the prior written consent of the Insurer, but without the consent of the Trustee or the Holders of any Series 2007 Bonds. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – The Mortgage.”

The Project

The Project consists of the construction of two new library branches in Arbor Hill and on New Scotland Avenue, the acquisition and renovation of a building to house the new Delaware Avenue branch and the renovation and upgrading of the existing Howe and Pine Hills branches (collectively, the “Project”). See “PART 5 – THE PROJECT.”

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2007 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2007 Resolution, the Loan Agreement, the Mortgage, the Financial Guaranty Insurance Policy and the Surety Bond. Copies of the Resolution, the Series 2007 Resolution, the Loan Agreement, the Mortgage, the Financial Guaranty Insurance Policy and the Surety Bond are on file with the Authority and the Trustee. See also “Appendix C – Summary of Certain Provisions of the Loan Agreement,” “Appendix D – Summary of Certain Provisions of the Resolution” and “Appendix F – Specimen Financial Guaranty Insurance Policy” for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund and the Debt Service Reserve Fund refer to such funds established pursuant to the Resolution and the Series 2007 Resolution.

Payment of the Series 2007 Bonds

The Series 2007 Bonds will be special obligations of the Authority. The principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 Bonds are payable solely from the Revenues. The Revenues consist of the required payments to be made by the Library under the Loan Agreement to satisfy the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 Bonds and to maintain the Debt Service Reserve Fund at its requirement. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Series 2007 Bondholders.

The Loan Agreement is a general obligation of the Library and obligates the Library to make payments on account of the principal, Sinking Fund Installments and Redemption Price of and interest on Outstanding Series 2007 Bonds. Such payments are to be made annually on or before December 1 and within three days of the receipt by the Library of its annual tax levy payment from the School District, in an amount equal to the interest coming

due on the next two succeeding interest payment dates and the principal and Sinking Fund Installments coming due on the next succeeding July 1. The Loan Agreement also obligates the Library to pay, at least 45 days prior to a redemption date of Series 2007 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Series 2007 Bonds. See “PART 3 – THE SERIES 2007 BONDS – Redemption Provisions.”

The Authority has directed, and the Library has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 Bonds.

Authorization of Project, Payment and Tax Levy

A referendum passed on February 6, 2007 by the qualified voters in the School District authorized the Library to enter into the Loan Agreement to finance the Project. The qualified voters also authorized the Library to assign and pledge to the Authority funds in an amount sufficient to repay all obligations of the Library under the Loan Agreement, and authorized such funds to be raised by a real property tax assessment on real property located within the School District to be levied annually by the School District for Library purposes on behalf of the Library.

Security for the Series 2007 Bonds

The Series 2007 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2007 Bonds (until disbursed as provided in the Resolution) all funds and accounts authorized under the Resolution and established under the Series 2007 Resolution (with the exception of the Arbitrage Rebate Fund) and the Authority’s security interest in the Pledged Revenues.

Pledged Revenues

The Series 2007 Bonds will be secured by a pledge of the Pledged Revenues, consisting of all revenues of the Library, including the real property tax levies made on behalf of the Library by the School District on all non-exempt real property situated within the School District to be paid over annually to the Library and the right to receive such Pledged Revenues. In the event of nonpayment by the Library under the Loan Agreement, the Authority is authorized under the Act to direct State and local officers including without limitation, officers of the School District, to pay over to the Authority any and all funds owed to the Library by the State or any political subdivision in an amount sufficient to make all payments required to be made under the Loan Agreement. The Authority’s security interest in the Pledged Revenues will be a first lien thereon and will not be subject to any preexisting liens. Notwithstanding this, the Library may incur debt secured by a parity lien on certain of the Pledged Revenues with the prior written consent of the Authority and the Insurer. See “PART 4 – THE LIBRARY” and “Appendix B – Audited Financial Statements of the Albany Public Library.”

The Series 2007 Bonds will not be a debt of the City of Albany or the School District nor will the City of Albany or the School District be liable thereon or under the Loan Agreement.

Debt Service Reserve Fund

The Resolution and Series 2007 Resolution authorize and establish a Debt Service Reserve Fund which will be held by the Trustee and applied solely for the purposes specified in the Resolution and Series 2007 Resolution and pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2007 Bonds.

The Series 2007 Resolution requires that the Debt Service Reserve Fund for the Series 2007 Bonds be maintained at an amount equal to its requirement which is an amount equal to the least of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on the Series 2007 Bonds payable during such calendar year, and the principal and Sinking Fund Installment on the Series 2007 Bonds payable on July 1 of such calendar year, excluding interest accruing on the Series 2007 Bonds from the dated date of the Series 2007 Bonds to the January 1 or July 1 immediately preceding the first interest payment date, (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of the Series 2007 Bonds and (iii) an amount equal to 125% of average annual debt service on the Series 2007 Bonds. The Debt Service Reserve Fund Requirement for the Series 2007 Bonds will be funded with the Surety Bond.

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in such Debt Service Fund on the fourth business day prior to an interest payment date is less than the amount which is necessary to pay the principal and Sinking Fund Installments of and interest on

Outstanding Series 2007 Bonds payable on such interest payment date. The Loan Agreement requires that the Library restore the Debt Service Reserve Fund to its requirement by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of its requirement shall be withdrawn and applied in accordance with the Resolution. See “Appendix D – Summary of Certain Provisions of the Resolution.”

The Surety Bond

Upon the issuance and delivery of the Series 2007 Bonds, the Surety Bond will be deposited in the Debt Service Reserve Fund and the premium on the Surety Bond will be fully paid. The Surety Bond will provide that upon the later of (i) one day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2007 Bonds when due has not been made, or (ii) the interest payment date specified in the Demand for Payment (as defined in the Surety Bond) submitted to Ambac Assurance (the “Insurer” or “Ambac Assurance”), Ambac Assurance will promptly deposit funds with the Trustee sufficient to make payments due on the Series 2007 Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is reduced automatically to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Library is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Library is subordinate to the Library’s obligation with respect to the Series 2007 Bonds.

In the event the amount on deposit or credited to the Debt Service Reserve Fund exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made after all funds in the Debt Service Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Debt Service Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy or other such funding instrument (the “Additional Funding Instrument”) draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the deficiency.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee Paying Agent. The insurance provided by the Surety Bond is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York. For details concerning Ambac Assurance, see “PART 2 – SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2007 BONDS – The Financial Guaranty Insurance Policy – Ambac Assurance Corporation.”

The Financial Guaranty Insurance Policy

The information that follows has been provided by Ambac Assurance for use in this Official Statement. Reference is made to Appendix F for a specimen form of the Financial Guaranty Insurance Policy.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Series 2007 Bonds effective as of the date of issuance of the Series 2007 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Series 2007 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2007 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2007 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2007 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2007 Bonds on the originally scheduled interest and principal payment dates including

mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2007 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2007 Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Financial Guaranty Insurance Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2007 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2007 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2007 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2007 Bond and will be fully subrogated to the surrendering Holder's rights to payment.

The insurance provided by the Financial Guaranty Insurance Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$10,194,000,000 (unaudited) and statutory capital of approximately \$6,557,000,000 (unaudited) as of March 31, 2007. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a Series 2007 Bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such Series 2007 Bond and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2007 Bonds.

Ambac Assurance makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "The Financial Guaranty Insurance Policy."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “Company”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007;
2. The Company’s Current Report on Form 8-K dated and filed on April 25, 2007; and
3. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2007 and filed on May 10, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in “Available Information.”

The Mortgage

In connection with the delivery of the Series 2007 Bonds, the Library will execute and deliver a Mortgage to the Authority and grant the Authority a security interest in certain fixtures, furnishings and equipment to secure the required payments to be made by the Library pursuant to the Loan Agreement. The Authority may assign its rights under the Loan Agreement and the Mortgage and its security interests to the Trustee, at the direction of the Insurer, but has no present intention to do so. Upon the happening of an Event of Default under the Resolution (other than a covenant default by the Authority which results in the interest on the Series 2007 Bonds no longer being excludable from gross income under Section 103 of the Code), the Authority upon the request of the Insurer, is required to assign the Mortgage and such security interest to the Trustee. Unless the Mortgage and such security interests are assigned to the Trustee, neither the Mortgage, the security interests in such fixtures, furnishings and equipment nor any proceeds there from will be pledged to the Holders of the Series 2007 Bonds and the Holders of the Series 2007 Bonds should not regard the Mortgage as security for payment of principal of and interest on the Series 2007 Bonds. Property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of the Insurer but without the consent of the Trustee or the Holders of any Series 2007 Bonds.

Events of Default and Acceleration

The Resolution provides that events of default thereunder and under the Series 2007 Resolution constitute events of default only with respect to the Series 2007 Bonds. The following are events of default under the Resolution: (i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on such Series 2007 Bonds; (ii) the Authority takes any action, or fails to take any action, which would cause such Series 2007 Bonds to be “arbitrage bonds” within the meaning of the Code, or fails to comply with the provisions of the Code and as a result thereof, interest on the Series 2007 Bonds becomes includable in gross income for federal income tax purposes; (iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2007 Bonds or in the Resolution or in the Series 2007 Resolution which continues for 30 days after written notice thereof is given to the Authority by the

Trustee (such notice to be given at the Trustee's discretion or at the written request of Holders or Insurers of not less than 25% in principal amount of Outstanding Series 2007 Bonds); or (iv) an "Event of Default," as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the Library under the Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless all sums payable by the Library under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than as described in clause (ii) of the preceding paragraph) occurs and continues, the Trustee must, (i) upon the written request of the Insurer of the Series 2007 Bonds or the Holders of not less than 25% in principal amount of the Outstanding Series 2007 Bonds with the consent of the Insurer, or (ii) if the Insurer is the Holder of all Outstanding Series 2007 Bonds, upon the written request of the Insurer, or (iii) if the Insurer has deposited with the Trustee a sum sufficient to pay the principal of and interest on the Outstanding Series 2007 Bonds due upon the acceleration thereof, upon the request of such Insurer, by written notice to the Authority, declare the principal of and interest on all the Outstanding Series 2007 Bonds to be due and payable immediately. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable.

The Trustee may, with the written consent of the Insurer or the Holders of not less than 25% in principal amount of the Series 2007 Bonds then Outstanding, with the consent of the Insurer, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Insurer or the Holders of not less than 25% in principal amount of the Outstanding Series 2007 Bonds with the consent of the Insurer or, in the case of a default described in sub clause (ii) in the first paragraph under this subheading, the Holders of not less than a majority in principal amount of the Outstanding Series 2007 Bonds with the consent of the Insurer, have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee (i) to the Insurer within five days, and (ii) to the Holders of the Series 2007 Bonds within 30 days, after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of, or interest on, any of the Series 2007 Bonds, the Trustee shall be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2007 Bonds.

General

The Series 2007 Bonds will not be a debt of the State, the City of Albany or the School District nor will the State, the City of Albany or the School District 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 7 – THE AUTHORITY."

PART 3 – THE SERIES 2007 BONDS

Description of the Series 2007 Bonds

The Series 2007 Bonds will be issued pursuant to the Resolution and the Series 2007 Resolution, will be dated the date of delivery of the Series 2007 Bonds and will bear interest from such date (payable January 1, 2008 and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement.

The Series 2007 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2007 Bonds may be exchanged for Series 2007 Bonds of the same maturity of any other authorized denomination. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2007 Bond.

The cost, if any, of preparing each new Series 2007 Bond issued upon such exchange or transfer and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person

requesting such exchange or transfer. The Authority will not be obligated to make any exchange or transfer of Series 2007 Bonds after (i) the Record Date next preceding an interest payment date for such Series 2007 Bonds, or (ii) the date on which the Trustee commences selection of Series 2007 Bonds for redemption.

The principal or Redemption Price of the Series 2007 Bonds will be payable at the principal corporate trust office of Deutsche Bank Trust Company Americas, New York, New York, the Trustee. The Redemption Price of a Series 2007 Bond will be paid to any Bondholder of \$1,000,000 or more in aggregate principal amount of Series 2007 Bonds by wire transfer to the wire transfer address, within the continental United States specified by such Bondholder in the written request of such Bondholder made to the Trustee at the time the Series 2007 Bonds to be redeemed are presented and surrendered to the Trustee.

Interest on the Series 2007 Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day of the calendar month next preceding an interest payment date. In the event the Series 2007 Bonds shall no longer be issued in book-entry only form, interest will be paid to any Bondholder of \$1,000,000 or more aggregate principal amount of Series 2007 Bonds by wire transfer to the wire transfer address, within the continental United States specified by such Bondholder, upon the written request of such Holder received not less than 5 days prior to the Record Date, which written request may apply to multiple interest payment dates.

Such Bondholders may receive the Redemption Price to be paid on their Series 2007 Bonds by wire transfer at the address in the continental United States specified by such Bondholders in a written request given to the Trustee at the time presentation and surrender of the Series 2007 Bonds to be redeemed is made.

For a more complete description of the Series 2007 Bonds, see “Appendix D – Summary of Certain Provisions of the Resolution.”

Optional Redemption

The Series 2007 Bonds maturing on or before July 1, 2017 are not subject to optional redemption prior to maturity. The Series 2007 Bonds maturing after July 1, 2017 are subject to redemption prior to maturity, on or after July 1, 2017 in any order at the option of the Authority, as a whole or in part at any time, at a Redemption Price of 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

Special Redemption

The Series 2007 Bonds are also subject to redemption as a whole or in part at any time at a Redemption Price of 100% of the principal amount thereof, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project and from unexpended proceeds of the Series 2007 Bonds upon the abandonment of all or a portion of the Project due to legal or regulatory impediment.

Mandatory Redemption

In addition, the Series 2007 Bonds maturing on July 1, 2030, and on July 1, 2037, are also subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of Series 2007 Bonds specified for each of the years shown below:

Term Bonds Maturing on July 1, 2030

<u>Year</u>	<u>Sinking Fund Installments</u>
2026	\$1,030,000
2027	1,085,000
2028	1,140,000
2029	1,195,000
2030†	1,255,000

Term Bonds Maturing on July 1, 2037

<u>Year</u>	<u>Sinking Fund Installments</u>
2031	\$1,315,000
2032	1,385,000
2033	1,450,000
2034	1,525,000
2035	1,600,000
2036	1,680,000
2037†	1,765,000

†Final maturity.

The Authority may from time to time direct the Trustee to purchase Series 2007 Bonds with moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2007 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2007 Bonds of the same maturity. The Library also may purchase Series 2007 Bonds at or below par and apply any Series 2007 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2007 Bonds of the same maturity.

To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2007 Bonds of the maturity so purchased will be reduced for such year.

Purchase in Lieu of Redemption

The Series 2007 Bonds maturing on or before July 1, 2017 are not subject to purchase in lieu of redemption prior to maturity. The Series 2007 Bonds maturing after July 1, 2017, are subject to purchase in lieu of redemption prior to maturity on or after July 1, 2017, at the option of the Library with the prior written consent of the Authority and the Insurer, as a whole or in part at any time, at a purchase price of 100% of the principal amount to be purchased (the "Purchase Price") plus accrued interest to the date set for purchase (the "Purchase Date").

Selection of Bonds to be Redeemed

In the case of redemptions of the Series 2007 Bonds described above under the subheading "*Optional Redemption*," the Authority will select the maturities of the Series 2007 Bonds to be redeemed. In the case of redemption of Series 2007 Bonds described above under the subheading "*Special Redemption*," Series 2007 Bonds will be redeemed to the extent practicable pro rata among the Outstanding Series 2007 Bonds of each maturity, but only in integral multiples of \$5,000 within each maturity. If less than all of the Series 2007 Bonds of a maturity are to be redeemed (pursuant to an optional, special or mandatory redemption), the Series 2007 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2007 Bonds in the name of the Authority given by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2007 Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2007 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2007 Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee is to publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 45 days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2007 Bonds.

If, on the redemption date, moneys for the redemption of the Series 2007 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the Series 2007 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2007 Bonds will no longer be considered to be Outstanding under the Resolution and the Series 2007 Resolution.

Notice of Purchase in Lieu of Redemption and Its Effect

Notice of purchase of the Series 2007 Bonds in lieu of redemption will be given in the name of the Library to the registered owners of the Series 2007 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the Purchase Date specified in such notice. The Series 2007 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2007 Bonds to be purchased that are not so tendered, will be deemed to have been properly tendered for purchase. In the even the Series 2007 Bonds are called for purchase in lieu of redemption, such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2007 Bonds and such Series 2007 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Library's obligation to purchase a Series 2007 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2007 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2007 Bonds to be purchased, the former registered owners of such Series 2007 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2007 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2007 Bonds in accordance with their respective terms.

In the event that not all of the Outstanding Series 2007 Bonds of a maturity are to be purchased, the Series 2007 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2007 Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption, purchase in lieu of redemption and other provisions relating to the Series 2007 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered, Series 2007 Bond will be issued for each maturity of the Series 2007 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").

The DTC Rules applicable to its Direct and Indirect Participants (collectively, "Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtc.com.

Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond ("Beneficial Owner") is in turn to be recorded on the 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 Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 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 definitive Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 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 2007 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 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The 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 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. Beneficial Owners of Series 2007 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution and other related documents. For example, Beneficial Owners of Series 2007 Bonds may wish to ascertain that the nominee holding the Series 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Series 2007 Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2007 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 Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, and principal and interest payments on the Series 2007 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 (or its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, and principal and interest payments 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 the Participants.

DTC may discontinue providing its services as depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, definitive Series 2007 Bonds 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, definitive Series 2007 Bonds will also be printed and delivered.

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, the Trustee and the Library assume no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICES FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2007 Bonds, as nominee for DTC, references herein to the Bondholders, Holders, owners or registered owners of the Series 2007 Bonds (other than under the captions “PART 10 – TAX MATTERS” herein and “PART 14 – CONTINUING DISCLOSURE”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2007 Bonds.

Principal, Sinking Fund Installment and Interest Requirements for the Series 2007 Bonds

The following table sets forth the amounts required to be paid by the Library during each twelve-month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2007 Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2007 Bonds payable on the succeeding July 1 and the aggregate payments to be made by the Library during each such period with respect to the Series 2007 Bonds.

12 Month Period Ending June 30	Principal and Sinking Fund Installments	Interest Payments	Total Debt Service
2008	\$450,000	\$1,401,426	\$1,851,426
2009	510,000	1,345,550	1,855,550
2010	530,000	1,325,150	1,855,150
2011	550,000	1,302,625	1,852,625
2012	575,000	1,279,250	1,854,250
2013	600,000	1,254,813	1,854,813
2014	625,000	1,229,313	1,854,313
2015	650,000	1,204,313	1,854,313
2016	675,000	1,178,313	1,853,313
2017	700,000	1,151,313	1,851,313
2018	730,000	1,122,438	1,852,438
2019	760,000	1,091,413	1,851,413
2020	795,000	1,059,113	1,854,113
2021	830,000	1,025,325	1,855,325
2022	865,000	987,975	1,852,975
2023	905,000	949,050	1,854,050
2024	945,000	908,325	1,853,325
2025	990,000	865,800	1,855,800
2026	1,030,000	821,250	1,851,250
2027	1,085,000	769,750	1,854,750
2028	1,140,000	715,500	1,855,500
2029	1,195,000	658,500	1,853,500
2030	1,255,000	598,750	1,853,750
2031	1,315,000	536,000	1,851,000
2032	1,385,000	470,250	1,855,250
2033	1,450,000	401,000	1,851,000
2034	1,525,000	328,500	1,853,500
2035	1,600,000	252,250	1,852,250
2036	1,680,000	172,250	1,852,250
2037	1,765,000	88,250	1,853,250

PART 4 – THE LIBRARY

GENERAL INFORMATION

Introduction

The Albany Public Library (the “Library”) is a school district public library chartered by the Board of Regents of the State of New York to serve the residents of the City School District of Albany (the “School District”). The Library is located in Albany, New York. It operates a main library at 161 Washington Avenue in the City of Albany (the “City”), as well as five branch libraries in the City and a bookmobile. The branches are located in the North Albany section of the City, and in the South End, Delaware Avenue, Pine Hills, and New Scotland Avenue neighborhoods. It is one of 29 member libraries in the Upper Hudson Library System (“UHLS”), and is also the central library of the UHLS.

Prior to 2002, the Young Men’s Association for mutual improvement, in the city of Albany operated the Albany Public Library as a free association library. In May 2002, the residents of the School District voted to establish the Library as a school district public library and the Library received its current Absolute Charter from the New York State Board of Regents on September 13, 2002.

The Library offers City residents and the greater capital district a full program of public library services. In addition to traditional resources, the Library has integrated modern technologies into every aspect of its services. The Library is also noted for its wide range of adult, young adult and children’s programming and an outstanding electronic media collection. The Library serves approximately 93,523 City residents and approximately 359,142 additional residents of Albany and Rensselaer Counties as the central library of UHLS. It has an annual operating budget for fiscal year 2007 of \$5,347,000. Total library holdings of 333,865 items include 285,804 books, 23,691 audio recordings and numerous video recordings, including DVD’s, CD’s and other media. The Library also offers access to over 25 electronic databases at the Library and by remote access. There are currently over 50,379 registered borrowers. In 2006, there were over 872,480 patron visits to the Library and the library hosted 3,229 library-sponsored programs. The Library also circulated over 1.1 million items in 2006. In addition, community, cultural, and civic groups meet regularly at the Library. The total staff comprises approximately 44 full-time and 27 part-time employees. The Library and its branches are open to the public for, on average, 68 hours per week.

The Series 2007 Bonds will not be a debt of the City or the School District and neither the City nor the School District will be liable thereon.

Governance and Administration

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

The present members of the Board are:

<u>Name</u>	<u>Principal Occupation</u>	<u>Term Expires June 30</u>
John Bach, <i>President</i>	Superintendent of Schools (Retired)	2009
Mary Ellen O’Connor, <i>Vice President</i>	Development Officer	2012
Deborah Williams-Muhammad, <i>Secretary</i>	Consultant	2007
Ellen M. Bach, <i>Treasurer</i>	Attorney	2009
Eleanor Billmyer, <i>Trustee</i>	Journalist (Retired)	2007
Mary E. Mounteer, <i>Trustee</i>	School Teacher (Retired)	2010
James Gallagher, <i>Trustee</i>	Manager, Office of General Services (Retired)	2010
William F. Ryan, Jr., <i>Trustee</i>	Attorney	2011
Brian Levine, <i>Trustee</i>	Budget Analyst	2011

At the May 15, 2007 School District annual meeting, Dennis Gaffney, a journalist, and Leonard Ricchiuti, a police officer, were elected as new board members effective July 1, 2007 for five year terms expiring June 30, 2012.

Timothy Burke has served as the Interim Library Director since March 2007. He succeeds Jeffrey Cannell, who served as Library Director since 1998 and was recently appointed N.Y.S. Deputy Commissioner of Education for Cultural Education. As Interim Director, Mr. Burke supervises the day-to-day operations of the Library and acts as chief administrative officer of the Library, as liaison to the Board, and as director of all duties pertaining to library and financial operations. Prior to his term as Interim Director, Mr. Burke was appointed the Assistant Director of the Library in August 2002. Mr. Burke is a graduate of Siena College (B.A., 1982) and holds a Masters in Library Science from the State University of New York at Buffalo (M.L.S., 1984). He holds a Public Librarian Certificate from the New York State Education Department.

Patrice Holman was appointed as the Library's Interim Assistant Director in March 2007. Ms. Holman assists the Director in the day-to-day operations of the Library, including personnel and financial matters. Prior to her term as Interim Assistant Director, Ms. Holman was the Library's Outreach Librarian from April 1997 to March 2007. Ms. Holman received her Bachelor of Science degree from the State University of New York at Albany (B.S., 1993) and her Masters of Library Science from the State University of New York at Albany (M.L.S., 1994). She holds a Public Librarian Certificate from the New York State Education Department. The Assistant Director has been authorized by the Board of Trustees to assume the full responsibilities of the Director in his absence.

The Board of Trustees intends to commence a search for a permanent Library Director and, if necessary, Assistant Director after July 1, 2007 when the new Trustees have taken office.

Service Area

The Library serves the area coterminous with that of the School District. The School District, which encompasses the City, is located in Albany County, in the eastern portion of upstate New York. The School District lies entirely within the City, which lies on the western bank of the Hudson River and is approximately 140 miles north of New York City. The School District encompasses a land area of about 19 square miles and has an estimated population of 93,523 residents.

The City is the capital of New York State and the county seat of Albany County. The City is also a trading and distribution center of agricultural and manufactured products between western New York State, the New England States, northeast New York, Canada, New York City and points south with transportation available by air, rail, truck and water. The Port of Albany, operated by the Albany Port District Commission, handles cargo consisting of more than a dozen different commodities originating in and being shipped to foreign countries and other cities in the United States. Industrial activity in the City includes printing, publishing, foundries, machine shops, bakeries, meat packing, dental equipment, and paper products.

The City is a center for higher education and is the site of the State University of New York at Albany, including its prestigious College of Nanoscale Science and Engineering, as well as Albany Law School, Albany College of Pharmacy, Albany Medical College, and the College of Saint Rose. Within close proximity to the City are Siena College in the Town of Colonie, and Rensselaer Polytechnic Institute and Russell Sage College, both of which are in the City of Troy.

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

Real Property Taxes

Funding for the operations of the Library is primarily derived from real property taxes levied by the School District on behalf of the Library. The School District derives its power to levy an ad valorem real property tax on behalf of the Library from the State Constitution, the State Education Law and the State Real Property Tax Law. The Real Property Tax Law governs the methods and procedures to levy, collect and enforce this tax. The City prepares real property assessment rolls used by the School District to levy the Library tax. The City, in conjunction with the State Board of Real Property Services, determines assessment valuations. In addition, the State Board of

Real Property Services annually establishes equalization rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain state aid and are used by many localities in the calculation of debt contracting and real property tax limitations.

Tax Collection Procedure

The Board of Trustees of the Library establishes, with voter approval, any increases to the tax levy the Library requires to fund its annual operating budget. Once approved by the voters, the annual tax levy for library taxes can not change from year to year unless it is affirmatively increased or decreased by the voters of the School District. At the special referendum conducted on February 6, 2007, the voters of the School District approved an additional levy of library taxes in a maximum annual amount of \$1,860,000 for thirty (30) years to pay the annual debt service for the Project.

In September of the year preceding the Library's fiscal year, the School District Tax Receiver collects, together with the school taxes, the property taxes necessary to meet that levy on behalf of the Library. Such taxes are due and payable on September 1st, but may be paid without penalty by September 30th. Unpaid taxes accrue interest of 3% on October 1st, an additional 4% on November 1st, and an additional 1% on December 1st and the first day of each month thereafter until paid. In addition, unpaid taxes as of November 16th are assessed a 5% penalty by the County of Albany when it take responsibility for collection from the School District.

The Library receives its full levy from the School District prior to the start of the Library's fiscal year. Uncollected amounts and any deficiency in tax collection are the liability of Albany County, which has the power to relevy, lien upon, and sell delinquent properties to recoup its liability.

Library Budget

The Library's fiscal year extends from January 1st to December 31st. At the beginning of the preceding calendar year, the budget is developed by the Library Director with input from the Assistant Director and staff. The Library Board then refines the proposed budget prior to submission to the public. Under New York State Education Law, only changes to the Library tax levy are submitted to the voters of the Library. Any such vote must be held between April 1st and before July 1st each year and the Library has historically held its votes simultaneous with the School District's budget vote on the third Tuesday in May. The 2007 budget included a levy of \$4,359,600, which was approved by the School District voters on May 16, 2006. A summary of the Library budget is set forth in more detail below. In the event of a defeat by the electorate of a levy change in any year, the Library's appropriation reverts to the tax levy for the previous year.

Insurance

The Library maintains a comprehensive package of insurance coverage. The policy coverage (both its limits and policy scope) is periodically evaluated to assure the appropriate coverage is maintained based upon replacement value of existing physical library structures and an analysis of potential liabilities. At the present time, the Library has \$18,551,547 in aggregate coverage on real and personal property, including valuable papers coverage, \$2,000,000 (aggregate) in liability coverage, \$1,000,000 (aggregate) in director and officers' liability coverage, \$500,000 (aggregate) in worker's compensation coverage, \$15,000 in employee dishonesty coverage, and \$250,000 in electronic data processing coverage.

Employees

The Library currently employs approximately 44 full-time and 37 part-time individuals, all under the supervision of the Library Director, of whom 37 are professionals with Master Degrees in Library Science. The remaining staff consists of clerical and maintenance staff. The Library staff is organized in a bargaining unit represented by AFSCME Council 66. The Library has a history of satisfactory relations with its employees.

ANNUAL FINANCIAL STATEMENT INFORMATION

The Library’s financial statements audited by UHY Advisors, Certified Public Accountants are for fiscal years ending December 31, 2006, and December 31, 2005, and are attached as Appendix B to this Official Statement. The financial information that follows will be provided by the Library annually via the filing of the Library’s annual financial statements in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Revenues and Expenditures

The Library receives approximately eighty-seven percent (87%) of its operating revenue from a real property tax levied and collected by the School District on all non-exempt real property situated within the School District. The revenues earmarked for debt service on the project are expected to be one-hundred percent (100%) supported by a real property tax levy not to exceed the \$1,860,000 per year as approved by the voters.

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

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

**Albany Public Library
Summary of Unrestricted Revenues, Expenditures and Changes in Net Assets
For Fiscal Years Ended December 31st**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Revenues</u>				
Real Property Taxes	\$4,279,800	\$4,100,000	\$4,000,000	\$4,000,000
Departmental Income	277,516	188,713	133,817	97,719
Donated use of Property	14,688	25,222	644,186	1,000,787
Misc. Local Revenue	234,713	245,829	230,700	267,366
Interest Income	74,502	74,384	40,455	33,209
Federal Sources	<u>38,903</u>	<u>38,903</u>	<u>49,867</u>	<u>66,855</u>
Total Revenues	<u>4,920,122</u>	<u>4,673,051</u>	<u>5,099,025</u>	<u>5,465,936</u>
<u>Expenditures</u>				
Culture and Recreation*	4,406,786	3,597,964	3,822,206	4,068,761
Employee Benefits	<u>619,588</u>	<u>904,678</u>	<u>810,530</u>	<u>683,321</u>
Total Expenditures	<u>5,026,374</u>	<u>4,502,642</u>	<u>4,632,736</u>	<u>4,752,082</u>
(Deficiency)/excess of revenue over expenditures	<u>\$ (106,252)</u>	<u>\$ 170,409</u>	<u>\$ 466,289</u>	<u>\$ 713,854</u>
<u>Changes in Net Assets</u>				
Capital Contribution of land and buildings	--	--	5,982,800	--
Adjustment for capital outlays Reported as expenditures	398,923	(153,645)	(74,201)	--
Adjustment for changes in compensated absences reported as expenditures	<u>23,921</u>	<u>(9,088)</u>	<u>(11,135)</u>	<u>--</u>
Total change in net assets	<u>\$ 316,592</u>	<u>\$ 7,676</u>	<u>\$6,363,753</u>	<u>\$ 713,854</u>

* Comprised of Payroll, Occupancy Costs, Materials and Services, Administration, Automation and Contingency. See “Appendix B -- Audited Financial Statements of the Albany Public Library.”

The Library's budget is based on estimates of revenues and expenses. The table below sets forth the Library's operating budget for fiscal year 2007.

2007 Budget

Revenues

Real Property Taxes	\$4,359,600
Departmental Income	255,400
Donated use of Property	50,000
Interest Income	103,000
Misc. Local Revenue	255,000
Federal Sources	30,000
Total Revenues	<u>\$5,053,000</u>

Expenditures

Culture and Recreation	\$4,306,000
Employee Benefits	1,041,000
Total Expenses	<u>\$5,347,000</u>

Excess (deficiency) of revenue over expenses	<u>(\$294,000)</u>
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* The Library's board anticipates closing the 2007 budget gap during the current fiscal year through expenditure reduction, a spending of part of the Library's accumulated surplus, or a combination thereof.

Fund Balances

The State's General Municipal Law governs the Library's investment policies. The table below represents the accumulated liquid funds held in the General Fund and the net assets of the Library for each of the fiscal years ending December 31, 2003, through December 31, 2006. The table was prepared from the Library's accounting records, which are maintained on the basis of accounting practices by the Uniform System of Accounts for Libraries and Library Systems mandated by the State of New York.

Accumulated Fund Balances

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund	\$2,216,708	\$2,322,960	\$2,152,551	\$1,686,262
Net Assets	\$8,759,086	\$8,442,494	\$8,434,818	\$2,071,065

TAX DATA

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

Valuations, Tax Rates and Levies

Summary of Valuations

<u>Year Ending June 30</u>	<u>Assessed Value of Taxable Real Property</u>	<u>State Equalization Rates</u>		<u>Full Value using Reg. Rate</u>	<u>Full Value using Spec. Rate</u>
		<u>Regular</u>	<u>Special</u>		
2006	\$3,529,826,528	85.00%	63.91%	\$4,152,737,091	\$5,523,120,839
2005	\$3,600,134,575	97.17%	70.43%	\$3,704,985,669	\$5,111,649,262
2004	\$3,677,602,986	100.00%	86.48%	\$3,677,602,986	\$4,240,984,026
2003	\$3,212,248,702	95.18%	87.70%	\$3,374,919,838	\$3,662,769,329

Source: Bureau of Municipal Research; NY State Comptroller

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

<u>Year</u>	<u>Homestead Rate</u>	<u>Non-Homestead Rate</u>
2002-2003	1.108000	1.423742
2003-2004	1.002112	1.190156
2004-2005	1.002529	1.244399
2005-2006	1.063500	1.352300
2006-2007	1.116100	1.411000

Source: School District Tax Collector

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

Selected Listing of Largest Tax Payers

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
National Grid	Utility	\$122,781,438
625 Broadway LLC	Commercial	42,000,000
99 Washington Ave LLC	Commercial	37,966,600
Crossgates Commons	Commercial	37,094,900
Verizon Communications	Utility	36,295,948
New Holland Avenue LLC	Commercial	20,405,000
First State Investors	Bank	20,193,200
PS Associates	Commercial	20,076,100
Omni Development	Commercial	19,082,100
Wal-Mart Stores East	Commercial	18,000,000

The ten larger taxpayers listed above have a total assessed valuation of \$373,895,286, which represents 10.66% of the tax base of the School District.

Source: School District Tax Rolls.

Economic and Demographic Information

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

Population Trends

<u>Year</u>	<u>City of Albany</u>	<u>County of Albany</u>	<u>New York State</u>
1970	115,781	286,700	18,241,266
1980	101,727	285,909	17,558,072
1990	100,031	292,793	17,990,455
2000	94,301	294,565	18,976,457
2005 (est.)	93,523	297,414	19,254,630

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

Selected Wealth and Income Indicators

The following tables set forth per capita and family median income statistics for the City of Albany, Albany County and the State of New York. The information set forth below is included for informational purposes only.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>1990</u>	<u>2000</u>	<u>2005</u>
City of Albany	\$13,742	\$18,281	\$22,644	\$34,493	\$30,041	\$40,757
County of Albany	\$16,363	\$23,345	\$28,601	\$41,670	\$56,724	\$65,880
State of New York	\$16,501	\$23,389	\$28,158	\$39,741	\$51,691	\$59,686

Note: 2006 data is not available at is time.

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

Major Employers

<u>Name</u>	<u>Type of Service</u>	<u>Approximate Employees</u>
State of New York ^{(1) (2)}	Government	30,550
United States ⁽¹⁾	Government	8,600
Albany Medical Center	Hospital	7,000
St. Peter's Hospital	Hospital	4,500
University at Albany	Education	4,200
Albany County ⁽¹⁾	Government	2,990
City School District of Albany	Education	1,570
City of Albany	Government	1,390
Veteran's Administration Hospital	Hospital	1,300
Verizon Communications	Utility	1,080

(1) Includes employees at facilities located outside of the District, but within the County.

(2) Does not include public authorities.

Source: Employers as listed above

Unemployment Rate Statistics

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

	<u>Annual Average</u>						
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Albany County	3.3%	3.3%	3.9%	4.2%	4.1%	3.9%	3.7%
New York State	4.5%	4.9%	6.2%	6.4%	5.8%	5.0%	4.5%

	<u>2007 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Albany County	4.3%	4.2%	3.8%	3.4%	--	--	--	--	--	--	--	--
New York State	4.9%	4.9%	4.3%	4.0%	--	--	--	--	--	--	--	--

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Litigation

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

PART 5 – THE PROJECT

The Project will consist of the acquisition of property for four of the five library facilities and (A) construction of two new libraries: the Arbor Hill Branch, an approximately 13,000 square foot, two story building on the east side of Henry Johnson Boulevard between First and Second Streets, and the New Scotland Avenue Branch, an approximately 9,500 square foot, two story building on the north side of New Scotland Avenue, and (B) renovation/upgrade of three existing libraries: (i) conversion of a building at 331 Delaware Avenue into an approximately 10,000 square foot, full service library; (ii) renovation and expansion of the Howe Branch located at Schuyler and Broad Streets into an approximately 13,000 square foot, two story building and the construction of a parking lot; and (iii) renovation and expansion of the Pine Hills Branch located on Western Avenue into an approximately 19,000 square foot, two story building and the construction of a parking lot. The Library has entered into binding purchase agreements for the acquisition of the real estate parcels comprising the Project and anticipates that it will acquire ownership to all such parcels prior to the date of delivery of the Series 2007 Bonds. See PART 3 - THE SERIES 2007 BONDS - Description of the Series 2007 Bonds - Special Redemption".

PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2007 Bonds	\$29,110,000
Net Original Issue Premium	<u>385,381</u>
Total Sources	<u>\$29,495,381</u>

Uses of Funds

Deposit to the Construction Fund	\$28,468,680
Costs of Issuance*	891,339
Underwriter's Discount	<u>135,362</u>
Total Uses	<u>\$29,495,381</u>

* Includes New York State Bond Issuance Charge, bond insurance and surety policy premiums.

PART 7 – 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 districts.

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, 2007, the Authority had approximately \$33.6 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

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

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities	\$ <u>3,817,230,725</u>	\$ <u>0</u>
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program	\$ 226,230,000	\$ 3,930,000
Insured Mortgage Programs.....	6,625,079,927	592,999,927
Revenue Bonds, Secured Loan and Other Programs	<u>2,414,240,000</u>	<u>34,635,000</u>
Total Non-Public Programs	<u>\$ 9,265,549,927</u>	<u>\$ 631,564,927</u>
Total MCFFA Outstanding Debt	<u>\$ 13,082,780,652</u>	<u>\$ 631,564,927</u>

Governance

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

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

The current members of the Authority are as follows:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three

shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expired on March 31, 2007 and by law he continues to serve until a successor shall be chosen and qualified.

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

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

BRIAN RUDER, Scarsdale.

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

ANTHONY B. MARTINO, CPA, Buffalo.

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

SANDRA M. SHAPARD, Delmar.

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

ROMAN B. HEDGES, Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges currently serves as the Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means where he was responsible for the preparation of studies of the New York State economy and revenues of local government, tax policy and revenue analyses, and for negotiating revenue and local government legislation for the Assembly. Dr. Hedges was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

KEVIN R. CARLISLE, Averill Park.

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

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

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

PAUL E. FRANCIS, Budget Director for the State of New York, Westchester County; *ex-officio.*

Mr. Francis was appointed Director of the Budget on January 1, 2007. As Director of the Budget, Mr. Francis heads the New York State Division of the Budget and serves as the chief fiscal policy advisor to the Governor. Mr. Francis 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. Francis also currently serves as a Senior Advisor to the Governor. Prior to his appointment to Director of the Budget and Senior Advisor to the Governor, Mr. Francis served as policy director for Governor Spitzer’s gubernatorial campaign and transition team. His private sector experience includes managing partner of the Cedar Street Group, a venture capital firm he founded in 2001; chief financial officer for Priceline.com from its formation in 1997 to 2000; chief financial officer for Ann Taylor stores from 1993 to 1997; and managing director at Merrill Lynch & Co., where he worked from 1986 to 1993. Mr. Francis is a graduate of Yale College and New York University Law School.

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

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke’s-Roosevelt Hospital Center since 2002. Before joining St. Luke’s-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional

Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

The principal staff of the Authority is as follows:

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

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

PORTIA LEE is the Managing Director of Public Finance. 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. 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. Prior to that Ms. Lee worked at Moody's Investors Service for 10 years 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 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.

LORA K. LEFEBVRE is the Managing Director of Portfolio Management. She is responsible for the supervision and direction of the Authority's health care monitoring and higher education monitoring groups. Prior to joining the Authority in 1995, Ms. Lefebvre worked for the New York State Division of Budget for nine years in a number of different capacities, working in subject areas that included the State University of New York, school aid and public authority oversight. She holds a Bachelor of Arts in Political Science from Alfred University and a Master's degree in Public Administration from the State University of New York at Albany.

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

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

JAMES M. GRAY, R.A., 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. He has been with the Authority since 1986, and has held increasingly responsible positions within the Office of Construction, including Director of the State University of New York (SUNY) and Independent Institutions Construction Program. He began his public service career in 1977 in the New York State Office of General Services. He has been a registered architect in New York since 1983. Mr. Gray holds a Bachelor's degree in architecture from the New York Institute of Technology.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2007 Bonds.

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2006. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 8 – LEGALITY OF THE SERIES 2007 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2007 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities of the State may limit the investment of funds of such authorities in the Series 2007 Bonds.

The Series 2007 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 – NEGOTIABLE INSTRUMENTS

The Series 2007 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2007 Resolution.

PART 10 – TAX MATTERS

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, and assuming compliance with the representations, certifications and covenants described in the immediately succeeding paragraph, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2007 Bonds is not included in gross income for federal income tax purposes. Furthermore, in the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2007 Bonds is included in “adjusted current earnings”, for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2007 Bonds should consult their tax advisors regarding the computation of any alternative minimum tax.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2007 Bonds in order that interest on the Series 2007 Bonds be and remain not included in gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2007 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007 Bonds irrespective of the date on which such noncompliance occurs. The Bond Resolution and the certificate as to arbitrage and use of proceeds delivered by the Authority at the time of delivery of the Series 2007 Bonds (the “Arbitrage Certificate”) contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code. In rendering the above-described opinions, Bond Counsel will assume the accuracy of such factual certifications and continuing compliance by the Authority and the State such covenants, representations, warranties set forth in the Bond Resolution and the Arbitrage Certificate.

The difference between the principal amount of the Series 2007 Bonds maturing July 1, 2015 through July 1, 2017, inclusive, July 1, 2019, July 1, 2020, July 1, 2024 and July 1, 2025 (collectively, the “Discount Bonds”), and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial purchaser of such an owner’s adjusted basis for purposes of determining an owner’s gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of such corporation’s federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Series 2007 Bonds maturing July 1, 2008 through July 1, 2013, inclusive, July 1, 2021, July 1, 2022, July 1, 2030 and July 1, 2037 (collectively, the “Premium Bonds”) are initially offered to the public at prices greater than the amounts payable thereon at maturity. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner’s original cost of acquiring such Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Bond Counsel is also of the opinion that under existing statutes, including the Act, interest on the Series 2007 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other federal or state and local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2007 Bonds. The proposed form of the approving opinion of Bond Counsel relating to the Series 2007 Bonds is attached to this Official Statement as Appendix E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2007 Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2007 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of collateral federal income tax consequences of acquiring or holding the Series 2007 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2007 Bonds, (ii) interest on the Series 2007 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2007 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2007 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2007 Bonds. All prospective purchasers of the Series 2007 Bonds should consult with their tax advisors in order to understand the implications of the Code as to these and other federal and state tax consequences, as well as any local tax consequences, of purchasing or holding the Series 2007 Bonds.

Certain requirements and procedures contained or referred to in the Bond Resolution the Arbitrage Certificate and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Series 2007 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of a bond counsel other than Harris Beach PLLC.

Other Considerations

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) after the date of issuance of the Series 2007 Bonds may adversely affect the value of, or the tax status of, interest on, the Series 2007 Bonds.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not cause interest on the Series 2007 Bonds to be subject, directly or indirectly, to federal or State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decisions or action of the Internal Revenue Service, including but not limited to regulation, ruling, or selection of the Series 2007 Bonds for audit examination, the course or result of any Internal Revenue Service examination of the Series 2007 Bonds, or obligations which present similar tax issues, will not affect the market price or marketability of the Series 2007 Bonds. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisors regarding the forgoing matters.

On May 21, 2007, the United States Supreme Court agreed to review the decision of the Court of Appeals of Kentucky in *Davis v. Kentucky Dep't Of Revenue of the Finance and Admin. Cabinet*, 197S.W.3d557 (2006), which held that the United States Constitution prohibits disparate state tax treatment of interest on obligations issued by the State of Kentucky or its political subdivisions and obligations issued by other states or their political subdivisions. If the Kentucky decision is affirmed by the United States Supreme Court, a state, including New York State, could be required to eliminate any disparity between the tax treatment of obligations issued by such state and its political subdivisions or instrumentalities and the tax treatment of obligations issued by other states and their respective political subdivisions or instrumentalities.

See Appendix E for a complete copy of the proposed form of opinion of Bond Counsel.

PART 11 – STATE NOT LIABLE ON THE SERIES 2007 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 Resolution specifically provides that the Series 2007 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 – COVENANT BY THE STATE

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

PART 13 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2007 Bonds by the Authority are subject to the approval of Harris Beach PLLC, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2007 Bonds. The proposed form of Bond Counsel's approving opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Library by its Counsel, Whiteman Osterman & Hanna LLP, Albany, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2007 Bonds or questioning or affecting the validity of the Series 2007 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 Resolution, the Series 2007 Resolution and the Loan Agreement.

PART 14 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Library has undertaken in a written agreement for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 150 days after the end of each of its fiscal years, commencing December 31, 2007, for filing by DAC with each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 4 — THE LIBRARY" of this Official Statement (the "Annual Information"), together with the Library's annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available .

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Library, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Library and the Authority, 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 the Library, with each such Repository and to the State Information Depository. In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide to DAC, in a timely manner, the notices required to be provided by Rule

15c2-12 described below (the “Notices”). Upon receipt of Notices from the Authority, DAC will file the Notices to each such Repository or to the Municipal Securities Rulemaking Board (the “MSRB”), and to the State Information Depository, in a timely manner. With respect to the Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Library has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the Library or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Library, the Holders of the Bonds or any other party. DAC has no responsibility for the Authority’s failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Library or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Library and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement.

The Annual Information means annual information concerning the Library which consists of financial and operating data of the type included in this Official Statement for the Library, which shall include information as described in “PART 4 – THE LIBRARY” under the headings “ANNUAL FINANCIAL STATEMENT INFORMATION” (unless such information is included in the audited financial statements of the Library) and “OPERATING DATA,” relating to *valuations, tax rates and levies* similar to that set forth under the additional subheadings, “SUMMARY OF VALUATIONS” and “TAX RATES,” together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning the Library and in judging the financial and operating condition of the Library.

The Notices include notices of any of the following events with respect to the Series 2007 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds; (7) modifications to the rights of holders of the Series 2007 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2007 Bonds; and (11) rating changes. In addition, DAC will undertake, for the benefit of the Holders of the Series 2007 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the Library to provide the Annual Information and annual financial statements by the date required in the Library’s undertaking described above.

The sole and exclusive remedy for breach or default under the agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, the Library and/or the Authority, and no person, including any Holder of the Series 2007 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the agreement shall not constitute an Event of Default under the Resolution, the Series 2007 Resolution or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is 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. As a result, the parties to the agreement do not anticipate that it often will be necessary to amend the informational undertaking. The agreement, however, may be amended or modified without Bondholders consent under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2007 Bonds will be on file at the principal office of the Authority.

PART 15 – MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2007 Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2007 Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2007 Resolution and the Loan Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2007 Bonds are fully set forth in the Resolution and the Series 2007 Resolution. Neither any advertisement of the Series 2007 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2007 Bonds.

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

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

The information regarding the Insurer and the Financial Guaranty Insurance Policy in Appendix F has been furnished by the Insurer. No representation is made herein by the Authority or the Library as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither the Authority nor the Library has made any independent investigation of the Insurer or the Financial Guaranty Insurance Policy.

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.

"Appendix A – Definitions," "Appendix C – Summary of Certain Provisions of the Loan Agreement," "Appendix D – Summary of Certain Provisions of the Resolution," and "Appendix E – Form of Approving Opinion of Bond Counsel," have been prepared by Harris Beach PLLC, New York, New York, Bond Counsel to the Authority.

"Appendix B – Audited Financial Statements of the Albany Public Library" contains certain audited financial statements of the Library for the year ended December 25, 2006 and the report of the Library's independent auditor, UHY LLP, on such financial statements.

The Library has reviewed the parts of this Official Statement describing the Library, the School District, the Project, the Estimated Sources and Uses of Funds and Appendix B hereto. The Library shall certify as of the dates of sale and delivery of the Series 2007 Bonds that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

The 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: David D. Brown IV
Authorized Officer

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DEFINITIONS

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CERTAIN DEFINITIONS

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

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

Annual Administrative Fee means the annual fee for the general administrative expenses of the Authority in the amount or percentage stated in the Loan Agreement;

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

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

Authority Fee means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and the construction of the Project in an amount set forth in the Loan Agreement;

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

Authorized Officer means (i) in the case of the Authority, the 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 Managing Director of Public Finance, the Managing Director of Construction, the Managing Director of Policy and Program Development, and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the person or persons authorized to perform any act or sign any document by or pursuant to a resolution of the Institution's Board of Trustees or its Executive Committee or the by-laws of the Institution; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee;

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

Bond or Bonds means any of the bonds of the Authority authorized pursuant to the Resolution and issued pursuant to a 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 a certificate of the Authority fixing terms, conditions and other details of Bonds of an Applicable Series in accordance with the delegation of power to do so under a Series Resolution;

Bond Year means, unless otherwise stated in a Series Resolution, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year;

Bondholder, Holder of Bonds or Holder or any similar term, when used with reference to a Bond or Bonds of a Series, except as provided in the Resolution, means the registered owner of any Bonds of such Series;

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

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

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

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

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

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

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

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

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

Defeasance Security means any of the following:

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

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

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

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

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 any of the following:

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

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

(iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Facility Provider means the issuer of a Reserve Fund Facility;

Federal Agency Obligation means any of the following:

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

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

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

(iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Government Obligation means any of the following:

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

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

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

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

(v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Event of Default has the meaning given to such term the Loan Agreement;

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

Institution means Albany Public Library, a school district public library chartered by the Board of Regents of the State, or any successor thereto;

Insurance Trustee means, with respect to a Series of Bonds, the person, if any, designated in the Insurance Policy issued by an Insurer in connection with a Series of Outstanding Bonds with whom funds are to be deposited by such Insurer to make payment pursuant to such facility on account of the principal and Sinking Fund Installments of and interest on the Bonds of such Series;

Insurer means, with respect to a Series of Bonds, the firm, association or corporation, including public bodies and governmental agencies, acceptable to the Authority, which has issued an Insurance Policy in connection with such Series of Bonds, and the successor or assign of the obligations of such firm, association or corporation under such policy;

Insurance Policy means, with respect to a Series of Bonds, a financial guaranty insurance policy issued at the request of the Authority by an Insurer insuring the payment when regularly scheduled to be due of the principal and Sinking Fund Installments of and interest on such Series of Bonds, together with any insurance agreement;

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

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

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

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

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

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

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

Permitted Collateral means any of the following:

- (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations;
- (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;
- (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and
- (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category;

Permitted Indebtedness shall have the same meaning as set forth in Section 11 of the Loan Agreement.

Permitted Encumbrances means, when used in connection with the Project or the Mortgaged Property, any of the following:

- (i) The lien of taxes and assessments which are not delinquent;
- (ii) The lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited;
- (iii) Minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;
- (iv) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;
- (v) Security interests, liens and other encumbrances to secure the purchase price of any equipment or furnishings; and

Such other encumbrances, defects, and irregularities to which the Insurer's Consent and the prior written consent of the Authority have been obtained;

Permitted Investments means any of the following:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; and
- (vi) Investment Agreements that are fully collateralized by Permitted Collateral;

Pledged Revenues means all Public Funds, all revenues received by the Institution from the operation of the Institution, all the proceeds, product, rents and profits of the Institution's facilities and all other income available to the Institution from any other source, all proceeds from the sale of general intangibles, documents, instruments and inventory and all proceeds thereof owned, leased or used by the Institution in the conduct of all or any part of its business, all investment income, gifts, bequests, contributions, grants and donations, excluding only grants, gifts, bequests, contributions and other donations and any income derived therefrom to the extent specifically restricted by the donor or grantor to a specific object or purpose

inconsistent with the support of payments to be made by the Institution under the Loan Agreement, and all supporting evidence and documents relating to any of the above described property, including without limitation, payment records, correspondence, together with all books of account and ledgers in which the same are reflected or maintained, all whether now existing or hereafter arising, along with the right of the Institution to exercise its rights under the Education Law and any and all proceeds resulting from the exercise of that right;

Prior Pledges means the liens, pledges, charges, encumbrances and security interests, if any, in the Pledged Revenues made and given pursuant to agreements entered into by the Institution which are senior to the pledge made under the Loan Agreement. With respect to the Series 2007 Bonds and the Pledged Revenues, there are no Prior Pledges;

Program Management Agreement means the Program Management Agreement dated as of March 19, 2007, by and between the Authority and the Institution, as the same may be amended from time to time.

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

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

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

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

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

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

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

of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; *provided, however*, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Insurer of Outstanding Bonds of a Series;

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

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

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

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

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

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

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

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

Resolution means the Albany Public Library Insured Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution;

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority which pursuant to the applicable Loan Agreement are required to be paid to the Trustee for such Series of Bonds (except payments to the Trustee for the administrative costs and expenses or fees of the

Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund), and all amounts received as a consequence of the enforcement of such Loan Agreement, including but not limited to amounts derived from the foreclosure or sale of or other realization upon the Pledged Revenues for such Series of Bonds;

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

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

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

Series 2007 Bonds means the Bonds authorized by the Series 2007 Resolution;

Series 2007 Project means the Project more particularly described in the Loan Agreement;

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

Series 2007 Resolution means the Series Resolution Authorizing Up To \$29,220,000 Albany Public Library Insured Revenue Bonds, Series 2007;

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

State means the State of New York;

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

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

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

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**AUDITED FINANCIAL STATEMENTS OF THE
ALBANY PUBLIC LIBRARY**

Appendix B

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ALBANY PUBLIC LIBRARY

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years ended December 31, 2006 and 2005

ALBANY PUBLIC LIBRARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Albany Public Library

We have audited the accompanying financial statements of the governmental activities as of and for the years ended December 31, 2006 and 2005, and each major fund of Albany Public Library (the "Library") as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information for major funds has been derived from the Library's 2005 financial statements and, in our report dated April 26, 2007, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Albany Public Library as of December 31, 2006, 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.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2007 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

UHY LLP

Albany, New York
April 26, 2007

ALBANY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

The following is a discussion and analysis of the financial performance of Albany Public Library (the "Library") for the fiscal year ended December 31, 2006. This section is a summary of the Library's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Library-wide and fund-based 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 Library's financial statements, which immediately follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The Library's net assets increased from \$8,442,494 in December 31, 2005 to \$8,759,086 in December 31, 2006.

Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Library:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the Library's budget for the year.

Library-Wide Statements

The Library-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Library's 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 Library-wide statements report the Library's net assets and how they have changed. Net assets, defined herein as the difference between the Library's assets and liabilities, is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Library's overall health, you need to consider additional non-financial factors such as changes in the Library's property tax base and the condition of buildings and other facilities.

**ALBANY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006**

In the Library-wide financial statements, the Library's activities are shown as governmental activities. Most of the Library's basic services are included here. Real property taxes finance much of these activities.

Fund Financial Statements

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

The Library establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as grants).

The Library uses governmental funds. Most of the Library's 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the Library-wide statements, additional reconciling information explains the relationship (or differences) between them.

Financial Analysis of the Library as a Whole

One important question asked about the organization's finances is, "Is the Library better or worse off as a result of the year's activities?" The information in the Library-wide financial statements helps answer this question. These statements include all assets and liabilities using the full accrual basis for accounting. The full accrual method of accounting provides that these reports are similar in accounting assumptions to those of private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. Comparative analysis is provided below.

	Governmental Activities			Percentage Change
	12/31/2005	12/31/2006	Change	
Current Assets	\$ 4,635,064	\$ 3,974,979	\$ (660,085)	-14.24%
Investments, Long-Term	-	618,338	618,338	100.00%
Capital Assets, Net	6,245,042	6,643,965	398,923	6.39%
Total Assets	\$10,880,106	\$11,237,282	\$ 357,176	3.28%
Current Liabilities	\$ 2,312,104	\$ 2,376,609	\$ 64,505	2.79%
Long-Term Liabilities	125,508	101,587	(23,921)	-19.06%
Total Liabilities	\$ 2,437,612	\$ 2,478,196	\$ 40,584	1.66%
Net Assets				
Invested in Capital Assets Net of Debt	\$ 6,245,042	\$ 6,643,965	\$ 398,923	6.39%
Unrestricted	2,197,452	2,115,121	(82,331)	-3.75%
Total Net Assets	\$ 8,442,494	\$ 8,759,086	\$ 316,592	3.75%

**ALBANY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006**

Governmental Activities

The Library is dependent upon real property taxes as a primary source of revenue. Since the Library must rely heavily on voter approval for funding levels, management of the resources is of paramount concern to the Library's administration and the voting public.

The table below reflects revenues and costs of providing library services. General revenues including tax revenue, use of money and property, and State sources, primarily support the cost of providing services.

	<u>12/31/2005</u>	<u>12/31/2006</u>
Program Revenues		
Charges for Services	\$ 188,713	\$ 277,516
Operating Grants	245,829	234,713
General Revenues		
Property Taxes	4,100,000	4,279,800
Donations and Other	25,222	14,688
Interest Income	74,384	74,502
Federal Sources	<u>38,903</u>	<u>38,903</u>
Total Revenues	<u>4,673,051</u>	<u>4,920,122</u>
Culture and Recreation	<u>4,665,375</u>	<u>4,603,530</u>
Total Expenses	<u>4,665,375</u>	<u>4,603,530</u>
Change in Net Assets	7,676	316,592
Net Assets, Beginning	<u>8,434,818</u>	<u>8,442,494</u>
Net Assets, Ending	<u><u>\$8,442,494</u></u>	<u><u>\$8,759,086</u></u>

The Library's reliance upon tax revenues is demonstrated in the table above indicating 86% of total revenues are from local real estate taxes (87% in 2005).

The Library's Governmental Funds

The total assets and liabilities of the Library's governmental funds changed from the prior year as follows:

	<u>12/31/2005</u>	<u>12/31/2006</u>	<u>Change</u>	<u>Percentage Change</u>
Assets	<u>\$ 4,635,064</u>	<u>\$ 4,593,317</u>	<u>\$ (41,747)</u>	<u>-0.90%</u>
Total Assets	<u>\$ 4,635,064</u>	<u>\$ 4,593,317</u>	<u>\$ (41,747)</u>	<u>-0.90%</u>
Liabilities	<u>\$ 2,312,104</u>	<u>\$ 2,376,609</u>	<u>\$ 64,505</u>	<u>2.79%</u>
Total Liabilities	<u>2,312,104</u>	<u>2,376,609</u>	<u>64,505</u>	<u>2.79%</u>
Fund Equity	<u>2,322,960</u>	<u>2,216,708</u>	<u>(106,252)</u>	<u>-4.57%</u>
Total Fund Equity	<u>2,322,960</u>	<u>2,216,708</u>	<u>(106,252)</u>	<u>-4.57%</u>
Total Liabilities and Fund Equity	<u><u>\$ 4,635,064</u></u>	<u><u>\$ 4,593,317</u></u>	<u><u>\$ (41,747)</u></u>	<u><u>-0.90%</u></u>

**ALBANY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006**

Revenues and expenditures of the Library's governmental funds changed from the prior year as follows:

	<u>12/31/2005</u>	<u>12/31/2006</u>	<u>Change</u>	<u>Percentage Change</u>
Revenues and Other Sources				
Real Property Taxes	\$ 4,100,000	\$ 4,279,800	\$ 179,800	4.39%
Departmental Income	188,713	277,516	88,803	47.06%
Donations and Other	25,222	14,688	(10,534)	-41.77%
Miscellaneous Local Sources	245,829	234,713	(11,116)	-4.52%
Interest Income	74,384	74,502	118	0.16%
Federal Sources	38,903	38,903	-	0.00%
Total Revenues	<u>4,673,051</u>	<u>4,920,122</u>	<u>247,071</u>	<u>5.29%</u>
Expenditures				
Culture and Recreation	3,597,964	4,406,786	808,822	22.48%
Employee Benefits	904,678	619,588	(285,090)	-31.51%
Total Expenditures	<u>4,502,642</u>	<u>5,026,374</u>	<u>523,732</u>	<u>11.63%</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 170,409</u>	<u>\$ (106,252)</u>	<u>\$ (276,661)</u>	<u>-162.35%</u>

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

General Fund Budgetary Highlights

The laws in New York State require the need to seek voter approval for increases to the tax levy.

The Library's budget is prepared in accordance with New York State statute and is based upon the modified accrual basis of accounting. The measurement focus is consistent with recognition of cash assets and liabilities as well as those assets and liabilities that can be readily converted into cash within a reasonable period of time. This method utilizes cash receipts, disbursements and encumbrances. The only legally adopted budget in the Library is the budget for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Library has \$6,643,965 invested in capital assets net of depreciation at December 31, 2006. Acquisitions for governmental activities totaled \$663,673 including approximately \$500,000 of cost associated with the facilities plan. Depreciation expense for the year was \$264,750.

Debt

The Library has no long-term debt.

**ALBANY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006**

FACTORS BEARING ON THE LIBRARY'S FUTURE

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

- Decisions to eliminate existing programs or create new programs will have an impact on the Library's financial position.
- Use of Library services and programs will continue to grow. Demands for services may require additional staff.
- The library has a collective bargaining agreement which will expire on December 31, 2009.
- Approximately 14% of the existing workforce fall within five years of the minimum retirement age and will be eligible to draw accrued post employment benefits.
- In 2007 the Library received voter approval to issue bonds for a \$29.1 million Branch Improvement Plan that will renovate three existing buildings as branch libraries and construct two new branch libraries. The debt service on the bonds will be paid through an additional annual tax levy not to exceed \$1.86 million per year. These building projects will be completed by 2009 at which point the Library will take occupancy. It is expected that this expansion of facilities will result in additional operational and staffing expenses.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

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

**ALBANY PUBLIC LIBRARY
STATEMENTS OF NET ASSETS**

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$ 141,221	\$ 4,569,762
Investments, short term	3,793,425	-
Prepaid expenses and other	<u>40,333</u>	<u>65,302</u>
Total current assets	<u>3,974,979</u>	<u>4,635,064</u>
NONCURRENT ASSETS		
Investments, long term	618,338	-
Capital assets, net	<u>6,643,965</u>	<u>6,245,042</u>
Total noncurrent assets	<u>7,262,303</u>	<u>6,245,042</u>
Total assets	<u>\$11,237,282</u>	<u>\$10,880,106</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 196,809	\$ 212,104
Deferred revenue	<u>2,179,800</u>	<u>2,100,000</u>
Total current liabilities	<u>2,376,609</u>	<u>2,312,104</u>
NONCURRENT LIABILITIES		
Compensated absences payable	<u>101,587</u>	<u>125,508</u>
Total noncurrent liabilities	<u>101,587</u>	<u>125,508</u>
Total liabilities	<u>2,478,196</u>	<u>2,437,612</u>
NET ASSETS		
Investment in capital assets, net of related debt	6,643,965	6,245,042
Unrestricted	<u>2,115,121</u>	<u>2,197,452</u>
Total net assets	<u>8,759,086</u>	<u>8,442,494</u>
	<u>\$11,237,282</u>	<u>\$10,880,106</u>

See notes to financial statements.

ALBANY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Functions/Programs				
Culture and recreation	<u>\$4,603,530</u>	<u>\$ 277,516</u>	<u>\$234,713</u>	<u>\$ (4,091,301)</u>
Total functions/programs	<u>4,603,530</u>	<u>277,516</u>	<u>234,713</u>	<u>(4,091,301)</u>
General Revenues				
Real property taxes				4,279,800
Donations and other				14,688
Interest income				74,502
Federal sources				<u>38,903</u>
Total general revenues				<u>4,407,893</u>
Change in net assets				316,592
Total net assets, beginning of year				<u>8,442,494</u>
Total net assets, end of year				<u>\$ 8,759,086</u>

See notes to financial statements.

ALBANY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Assets</u>
Functions/Programs				
Culture and recreation	\$4,665,375	\$ 188,713	\$245,829	\$ (4,230,833)
Total functions/programs	<u>4,665,375</u>	<u>188,713</u>	<u>245,829</u>	<u>(4,230,833)</u>
General Revenues				
Real property taxes				4,100,000
Donations and other				25,222
Interest income				74,384
Federal sources				<u>38,903</u>
Total general revenues				<u>4,238,509</u>
Change in net assets				7,676
Total net assets, beginning of year				<u>8,434,818</u>
Total net assets, end of year				<u>\$ 8,442,494</u>

See notes to financial statements.

ALBANY PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2006
(With Comparative Totals for 2005)

	December 31,		
	2006	2005	
	<u>General</u>	<u>Total</u>	<u>Total</u>
ASSETS			
Unrestricted cash and cash equivalents	\$ 141,221	\$ 141,221	\$ 4,569,762
Investments	4,411,763	4,411,763	-
Prepaid expenses and other	<u>40,333</u>	<u>40,333</u>	<u>65,302</u>
Total assets	<u>\$ 4,593,317</u>	<u>\$4,593,317</u>	<u>\$ 4,635,064</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 196,809	\$ 196,809	\$ 212,104
Deferred revenue	<u>2,179,800</u>	<u>2,179,800</u>	<u>2,100,000</u>
Total liabilities	<u>2,376,609</u>	<u>2,376,609</u>	<u>2,312,104</u>
FUND EQUITY			
Unreserved - undesignated	<u>2,216,708</u>	<u>2,216,708</u>	<u>2,322,960</u>
Total fund equity	<u>2,216,708</u>	<u>2,216,708</u>	<u>2,322,960</u>
Total liabilities and fund equity	<u>\$ 4,593,317</u>	<u>\$4,593,317</u>	<u>\$ 4,635,064</u>

See notes to financial statements.

ALBANY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - GOVERNMENTAL FUNDS
Year Ended December 31, 2006
(With Comparative Totals for 2005)

	December 31,			<u>2005</u>
	<u>2006</u>		<u>Total</u>	
	<u>General</u>	<u>Special Revenue</u>		
REVENUES				<u>Total</u>
Real property taxes	\$ 4,279,800	\$ -	\$ 4,279,800	\$ 4,100,000
Departmental income	277,516	-	277,516	188,713
Donations and other	14,688	-	14,688	25,222
Miscellaneous state and local sources	20,102	214,611	234,713	245,829
Interest income	74,502	-	74,502	74,384
Federal sources	<u>38,903</u>	-	<u>38,903</u>	<u>38,903</u>
Total revenues	<u>4,705,511</u>	<u>214,611</u>	<u>4,920,122</u>	<u>4,673,051</u>
EXPENDITURES				
Culture and recreation	4,192,175	214,611	4,406,786	3,597,964
Employee benefits	<u>619,588</u>	-	<u>619,588</u>	<u>904,678</u>
Total expenditures	<u>4,811,763</u>	<u>214,611</u>	<u>5,026,374</u>	<u>4,502,642</u>
(Deficiency) excess of revenues over expenditures	<u>(106,252)</u>	-	<u>(106,252)</u>	<u>170,409</u>
Fund balances - beginning of year	<u>2,322,960</u>	-	<u>2,322,960</u>	<u>2,152,551</u>
Fund balances - end of year	<u>\$ 2,216,708</u>	<u>\$ -</u>	<u>\$ 2,216,708</u>	<u>\$ 2,322,960</u>

See notes to financial statements.

ALBANY PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2006

Total fund balance - governmental funds		\$ 2,216,708
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
Cost of capital assets	7,805,745	
Accumulated depreciation	<u>(1,161,780)</u>	6,643,965
Long term liabilities 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:		
Compensated absences (sick and vacation)		<u>(101,587)</u>
Total net assets - governmental activities		<u>\$ 8,759,086</u>

ALBANY PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

Total change in fund balance - governmental funds \$ (106,252)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and depreciated over their estimated useful lives in the statement of activities.

Depreciation expense	(264,750)	
Capital outlays	<u>663,673</u>	398,923

In the statement of activities certain operating expenses - compensated absences (sick and vacation) - are measured by the amount earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used (amount paid). In 2006, the sick and vacation time used exceeded the amounts earned.

		<u>23,921</u>
Total change in net assets		<u><u>\$ 316,592</u></u>

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Albany Public Library (the "Library") is a quasi-municipal corporation which was formed in 2002. The Library commenced operations in July 2002 in the City of Albany (the "City"), New York, and is governed by a Board of Trustees, which may consist of as many as nine members. Substantially all of the funding for the Library is provided by Albany City taxpayers billed through the City School District of Albany.

The Library is chartered as a school district public library by the New York State Legislature, and is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

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

A. Financial Reporting Entity

The financial statements include all funds of the Library as well as the component units and other organizational entities determined to be includable in the Library's financial reporting entity.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement 14, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a summary of an activity considered in determining the Library's reporting entity.

The Friends of Albany Public Library, Inc. is organized under the not-for-profit laws of New York State to provide an association for persons interested in the Library; promote the importance of the Library as an informational and cultural force in the community; make the public aware of the facilities of the Library's services and resources; and encourage the support of the Library through gifts and volunteer services. During 2006 and 2005, The Friends of Albany Public Library, Inc. conducted book sales, noon programming on Tuesday's, and an annual book and author lunch to benefit the Library. Activities are not material and, accordingly, are not included as part of the financial reporting entity.

The Albany Public Library Foundation, Inc. is organized under the not-for-profit laws of New York State to raise additional funds for Library programs, services and facilities. During 2006 and 2005, The Albany Public Library Foundation, Inc. collected contributions from individuals for the Library's Annual Campaign. Activities are not material and, accordingly, are not included as part of the financial reporting entity.

B. Basis of Presentation

Library-Wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the Library's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Governmental activities generally are financed through taxes, State aid, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Library's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program 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, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund statements provide information about the Library's funds.

Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Library records its transactions in the fund types described below.

Governmental Fund Type

General Fund - the general fund is the principal operating fund of the Library and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

C. Basis of Accounting/Measurement Focus

The Library-wide financial statement is 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 Library gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year except for real property taxes, which are considered to be available if they are collected within sixty days after the end of the fiscal year.

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.

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

1. Budget Process

The fiscal year of the Library begins on the first day of January and ends on the thirty-first day of December. The proposed tax levy, should an increase in the tax levy be requested, and supplemental propositions for the Library, as established by the trustees, shall be placed before the voters in the year preceding the year for which a proposed budget has been established (i.e., in 2005 for the budget to be prepared for fiscal year 2006). All levy propositions require approval by a majority of voters in the City School District of Albany, hereinafter referred to as the majority. Upon approval of such proposed tax levy and of any propositions by the majority, the proposed tax levy becomes the Library tax levy for the following year. In the event that the proposed tax levy is not approved by the majority, the proposed library budget is deemed amended so that the portion of the proposed budget providing for real property tax revenue to be received from the school district be changed to equal the real property tax revenue provided for in the Library budget in effect as of the time of the vote as amended by the supplemental appropriations if approved. In the event that the voters do not approve the proposed tax levy as aforesaid, and upon the proposed budget being deemed amended as aforesaid, the real property taxes to be levied by the school district for the Library are levied in an amount consistent with the prior year rather than the amount as set forth in the proposed tax levy. After the annual budgets have been adopted, the school district levies upon the taxable real property within the Library the amounts to be raised by tax for the purposes of the Library as specified in the Library's annual budget and causes the amount so levied to be collected, in the same manner and at the same time and by the same officers as school taxes are assessed, levied and collected.

2. Budget Basis of Accounting

The budget is 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.

E. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with a maturity of three months or less.

F. Investments

Investments consist of U.S. Treasury securities and are stated at fair market value.

G. Capital Assets

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) for building improvements, furniture and equipment was established at \$1,500. Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets and is reported as an expense in the Library-wide statement.

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inexhaustible Collections

The value of books, art collections, and library materials, constituting inexhaustible collections, are not readily determinable. Accordingly, the Library has not capitalized or otherwise recognized such assets in its financial statements. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

I. Deferred Revenue

School district appropriations received totaled \$4,279,800 for operating purposes from July 1, 2006 through June 30, 2007 (\$4,100,000 for July 1, 2005 through June 30, 2006). These appropriations are recognized as earned and reported as revenue on a straight-line method over the school district billing cycle. Amounts received but not yet earned are reported as deferred revenue.

J. Compensated Absences

The liability for compensated absences is calculated at the rates in effect as of the balance sheet date based upon the contracts with the employee groups and is recorded as a liability in the Library-wide statement of net assets. The amount is recorded in the governmental funds balance sheet to the extent that they will be funded from current financial resources.

K. Post Retirement Benefits

In addition to providing pension benefits, the Library provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Library's employees may become eligible for these benefits if they reach normal retirement age while working for the Library. Health care benefits and survivors benefits are provided through an insurance company. The Library recognizes the cost of providing benefits by recording its share of insurance premiums (\$172,946 with 41 recipients in 2006, \$169,819 with 28 recipients in 2005) as expenditures in the year paid.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenditures recognized during the reporting period. Actual results could differ from those estimates.

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND LIBRARY-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Library-wide 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.

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND LIBRARY-WIDE STATEMENTS (Continued)

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

Total fund balances of the Library's governmental funds differ from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance sheets.

Long-Term Assets

The costs of constructing and acquiring capital assets (land, buildings and improvements, equipment and library books) 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 includes those capital assets among the assets of the Library as a whole, and their original costs are depreciated annually over their useful lives.

B) Statement of revenues, expenditures and changes in fund balance versus statement of activities:

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into the categories as follows:

Capital related differences:

Capital related differences include the difference between recording expenditures for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-term debt transaction differences:

Long-term debt transaction differences occur because compensated absences earned are not recorded as expenditures in the governmental fund statements, whereas benefits earned are recorded in the statement of activities as incurred.

NOTE 3 — CASH AND INVESTMENTS

The Library follows the investment policies outlined by State statutes. Library monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. agencies and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit 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 school districts.

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3 — CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the Library's deposits with financial institutions was approximately \$141,221 and the bank balance was approximately \$149,693. The bank balance is categorized as follows:

	<u>Bank Balance</u>
Amount insured by FDIC	\$ 100,000
Collateral held by a third party in the Library's name	<u>45,923</u>
Total bank balance	<u>\$ 145,923</u>

Investments

The Library's investments and maturities were as follows:

<u>Investment Type and Maturities</u>	<u>December 31, 2006</u> <u>Fair Value</u>
U.S. Treasury Bills	
Less than 1 year	\$ 3,793,425
1 - 5 years	<u>618,338</u>
	<u>\$ 4,411,763</u>

NOTE 4 — CAPITAL ASSETS

A summary of changes in capital assets is as follows for the year ended December 31, 2006:

	<u>Balance</u> <u>December 31,</u> <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31,</u> <u>2006</u>
Capital assets - not depreciated				
Land	\$ 532,600	\$ -	\$ -	\$ 532,600
Construction in progress	<u>-</u>	<u>500,330</u>	<u>-</u>	<u>500,330</u>
Total nondepreciable cost	<u>532,600</u>	<u>500,330</u>	<u>-</u>	<u>1,032,930</u>
Capital assets - depreciated				
Buildings	5,450,200	-	-	5,450,200
Improvements	474,775	28,102	-	502,877
Equipment	<u>1,126,677</u>	<u>135,241</u>	<u>(442,180)</u>	<u>819,738</u>
Total depreciable cost	<u>7,051,652</u>	<u>163,343</u>	<u>(442,180)</u>	<u>6,772,815</u>
Less accumulated depreciation				
Buildings and improvements	354,298	156,816	-	511,114
Equipment	<u>984,912</u>	<u>107,934</u>	<u>(442,180)</u>	<u>650,666</u>
Total accumulated depreciation	<u>1,339,210</u>	<u>264,750</u>	<u>(442,180)</u>	<u>1,161,780</u>
Capital assets, net	<u>\$ 6,245,042</u>	<u>\$ 398,923</u>	<u>\$ -</u>	<u>\$ 6,643,965</u>

Depreciation expense for 2006 was \$264,750 (\$235,247 in 2005).

**ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006**

NOTE 6 — PENSION PLANS

General Information

The Library participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple employers, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

A. Plan Description

The New York State ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

B. Funding Policies

The System is contributory (3%) except for employees who joined the Systems before July 27, 1976. Employees who joined the System after July 27, 1976 and have been members of the System for at least ten years, or have at least ten years of credited service are not required to contribute 3% of their salaries. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Library is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

2006	\$ 8,237
2005	\$208,443
2004	\$191,648

The Library's contributions made to the Systems were equal to 100% of the contributions required for each year.

NOTE 7 — NON-CURRENT LIABILITIES

The changes in the Library's non-current liabilities during the year ended December 31, 2006 are summarized as follows:

	Balance December 31, 2005	Net Change (A)	Balance December 31, 2006
Compensated absences	<u>\$ 125,508</u>	<u>\$ (23,921)</u>	<u>\$ 101,587</u>

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

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 8 — LEASE AGREEMENT

The Library leases a building for use in its operations under a month to month operating lease agreement. Rent expense for 2006 was \$25,701 (\$25,701 in 2005).

NOTE 9 — COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

General Information

Albany Public Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 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 two years.

B. Other Contingencies

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

C. Rental Income

The Library rents from year to year, approximately 24% of one of its facilities to two unrelated entities. The rental agreements with the tenants (a not-for-profit serving the developmentally disabled population and a foundation) includes monthly payments of \$1,622 and \$1,020, respectively. The base rents are subject to increases for utilities.

D. Impact of Future Accounting Pronouncements

The Library is in the process of evaluating the impact that will result from adopting GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, effective for the year ending December 31, 2008. The Library is therefore unable to disclose the impact that adopting GASB Statement No. 45 will have on the financial position and results of operations when this statement is adopted.

NOTE 10 — SUBSEQUENT EVENTS

A. Facilities Plan Referendum

In February 2007, the voters of the City of Albany passed a referendum relating to the financing of the Albany Public Library facility plan. The facility plan includes the issuance of insured revenue bonds up to a maximum of \$29,110,000 to be issued through the Dormitory Authority of the State of New York. These bonds will be secured by certain pledged revenues of the Library, principally moneys derived from real property tax levies. The interest rate and maturity date of the bonds will be determined at issuance.

ALBANY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 10 — SUBSEQUENT EVENTS (Continued)

B. Public Library Construction Grant Program

In 2007, the Library was awarded a \$143,286 Public Library Construction Grant. Proceeds from the grant will be used to fund a portion of the cost to replace the roof at the main library. The project cost is anticipated to approximate \$311,000. In accordance with the grant terms, the Library is required to fund all costs exceeding the grant amount.

REQUIRED SUPPLEMENTARY INFORMATION

ALBANY PUBLIC LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
COMPARED TO BUDGET – GENERAL FUND
Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Real property taxes	\$ 4,200,000	\$ 4,279,800	\$ 79,800
Departmental income	140,000	277,516	137,516
Donated use of property	30,000	14,688	(15,312)
Miscellaneous local sources	50,000	20,102	(29,898)
Interest income	50,000	74,502	24,502
Federal sources	<u>30,000</u>	<u>38,903</u>	<u>8,903</u>
Total revenues	<u>4,500,000</u>	<u>4,705,511</u>	<u>205,511</u>
EXPENDITURES			
Culture and recreation	3,828,000	4,192,175	(364,175)
Employee benefits	<u>943,000</u>	<u>619,588</u>	<u>323,412</u>
Total expenditures	<u>4,771,000</u>	<u>4,811,763</u>	<u>(40,763)</u>
Excess of revenues over expenditures	<u>\$ (271,000)</u>	<u>\$ (106,252)</u>	<u>\$ 164,748</u>

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

To the Board of Trustees
Albany Public Library

We have audited the financial statements of Albany Public Library (the Library), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the Board of Trustees of the Albany Public Library, management, and the Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

UHY LLP

Albany, New York
April 26, 2007

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2006 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Termination

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

(Section 45)

Construction of the Project

In the event that the Authority undertakes primary responsibility for the construction of the Project or any portion thereof, the Project or applicable portion thereof shall be undertaken in accordance with the Project Management Agreement. The Institution agrees that whether or not there are sufficient moneys available to it under provisions of the Resolution, the Institution shall provide such funds as are necessary to complete the Project, or applicable portion thereof in accordance with the Project Management Agreement

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

(Section 5)

Amendment of the Project; Additional Bonds

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

(Section 6)

Financial Obligations

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

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

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

(iii) [Reserved];

(iv) On or before December 1 of each year and within three (3) days of the receipt by the Institution of its annual tax levy payment from the School District, all of the interest coming due on the Bonds on the next two (2) interest payment dates;

(v) On or before December 1 of each year and within three (3) days of the receipt by the Institution of its annual tax levy payment from the School District, all of the principal and Sinking Fund Installments coming due on the Bonds on the next succeeding July 1;

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

(vii) On December 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with the Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year; provided, however, that the Annual Administrative Fee with respect to the Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to the Bonds multiplied by a fraction the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

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

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

(x) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds;

(xi) Reserved; and

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

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

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

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

(c) The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any Holder of Bonds for any cause whatsoever including, without limiting the generality of the foregoing, if applicable, failure of the Institution to complete the Project or, if applicable, the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds are or the

Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part contained in the Loan Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the Institution for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project available therefor.

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

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

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

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

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

(Section 9)

Debt Service Reserve Fund

(a) The Institution agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Debt Service Reserve Fund Requirement as determined in accordance with the Series Resolution, and shall deliver to the Trustee for deposit in the Debt Service Reserve Fund, moneys, Government Obligations or Exempt Obligations in the event of a deficiency in such fund.

The Institution may deliver to the Trustee a Reserve Fund Facility for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the Institution is required to restore the Debt Service Reserve Fund Requirement, it shall reimburse directly, or pay to the Authority an amount sufficient to reimburse, the Facility Provider in order to cause the Reserve Fund Facility to be restored to its full amount and shall then deliver additional moneys or Government Obligations or Exempt Obligations necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(b) The delivery to the Trustee of Government Obligations and Exempt Obligations from time to time made by the Institution pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Institution's obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Institution authorizes the Authority pursuant to the Resolution to pledge such Government Obligations and Exempt Obligations to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Series Resolution.

(c) All Government Obligations and Exempt Obligations deposited with the Trustee pursuant to the Loan Agreement, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGS"), (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Government Obligations and Exempt Obligations in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Government Obligations and Exempt Obligations shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Institution pursuant to the Loan Agreement appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

(d) The Institution under the Loan Agreement agrees that upon each delivery to the Trustee of Government Obligations or Exempt Obligations, whether initially or upon later delivery or substitution, the Institution shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations and Exempt Obligations delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated by the Loan Agreement, by the Series Resolution or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

(e) Prior to the initial delivery of Government Obligations or Exempt Obligations (other than moneys) to the Trustee pursuant to the Loan Agreement, and upon any later delivery or substitution, the Institution will, at its cost and expense, provide to the Authority, the Insurer, and the Trustee a written opinion of counsel satisfactory to the Authority to the effect that the Institution has full corporate power and authority to pledge such Government Obligations and Exempt Obligations as security in accordance with the Loan Agreement, such Government Obligations and Exempt Obligations have been duly delivered by the Institution to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms of the Loan Agreement and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Government Obligations and Exempt Obligations delivered by the Institution are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Loan Agreement or by the Resolution.

(Section 10)

Security Interest in Pledged Revenues

As security for the payment of all liabilities and the performance of all obligations of the Institution pursuant to the Loan Agreement, the Institution does under the Loan Agreement continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Institution's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues. This pledge, grant of a security interest in and assignment of the Pledged Revenues shall be subordinate only to the Prior Pledges, if any.

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

(Section 11)

Collection of Pledged Revenues and Public Funds

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

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

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

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

(Section 12)

Mortgage(s); Lien on Fixtures, Furnishings and Equipment

At or before the delivery by the Authority of a Series of Bonds, the Institution shall execute and deliver to the Authority a Mortgage, in recordable form, mortgaging the Mortgaged Property acceptable to the Authority, which Mortgage shall constitute a first lien on such Mortgaged Property, subject only to the Permitted Encumbrances.

Prior to any assignment of the Mortgage to the Trustee, the Authority, with the consent of the Insurer, however, without the consent of the Trustee or the Holders of Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage and of any security interest in fixtures, furnishings or equipment located in or on or used in connection with such Mortgaged Property and the property subject to such Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as the Authority may reasonably require. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures in the Mortgaged Property provided that the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 13)

Warranty of Title; Title Insurance; Utilities and Access

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

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

Upon delivery of the Mortgage pursuant to the Loan Agreement, the Institution shall provide (i) a title insurance policy in form and substance, and by insurer(s), acceptable to the Authority, in the amount of the aggregate principal amount of the Bonds issued or such other amount as is acceptable to the Authority, insuring the Mortgage to be a valid first lien on applicable Mortgaged Property, free and clear of liens and encumbrances except Permitted Encumbrances, and (ii) a current survey or surveys, including a metes and bounds description, of such Mortgaged Property, certified to the Authority and the issuer of the title insurance policy and showing any easements to which such Mortgaged Property is subject.

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

(Section 14)

Consent to Pledge and Assignment by the Authority

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

(Section 15)

Additional Representation and Covenants

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

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

(Section 16)

Tax-Exempt Status of the Institution

(a) The Institution represents that (i) it is a public library as described in section 253 of article 5, title 1, of Chapter 16 of the Consolidated Laws of the State of New York (Education Law), (ii) it was validly created and established in 2002 as a school district public library by a majority vote of the voting electorate in the School District pursuant to section 255 of the Education Law and received its charter from the Board of Regents, (iii) its board of trustees is elected by the electorate of the School District, (iv) no part of its earnings inure to the benefit of any private non-governmental entity or individual, (v) it is not subject to federal, state or local taxation, (vi) upon dissolution, its assets must be returned to the Board of Regents to the extent of any state aid or gifts for public use received by it, with remaining assets, if any, to be used as directed in the vote abolishing the library, (vii) its full-time employees are subject to the state civil service laws and regulations, and (viii) substantially all of the employees are members of the New York State and Local Employees Retirement System.

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

(Section 17)

Arbitrage; Tax Exemption

Each of the Institution and the Authority covenants that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase the Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority.

(Section 36)

Consultation with the Institution

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

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

(Section 38)

Use of the Project and Restrictions on Religious Use

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

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

(Sections 21 and 22)

Covenant as to Insurance

(a) The Institution shall 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 institutions providing services similar to those provided by the Institution. All policies of insurance required by this heading shall be primary to any insurance maintained by the Authority.

(b) The Institution shall, with respect to the Project and the Mortgaged Property, at the times specified in the following paragraphs, procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers acceptable to the Authority, the following insurance:

(i) with respect to any building the construction of which shall not have been completed (and until insurance is procured pursuant to the provisions described in subparagraph (ii) of this paragraph), all risk builders' risk insurance against direct physical loss or damage, or with respect to the acquisition and installation of equipment or machinery, in lieu of all risk builders' risk, an installation floater on an all risk basis. The amount of such insurance shall be on a one hundred per centum (100%) completed value basis on the insurable portion;

(ii) at all times (except during a period when builders' risk insurance is in effect as required by the provisions described in subparagraph (i) of this paragraph), all risk property insurance against direct physical loss or damage to the Project and the Mortgaged Property in an amount not less than one hundred per centum (100%) of the replacement value thereof (such replacement value to be determined on the basis of replacement costs without allowance for depreciation), exclusive of excavations and foundations and similar property normally excluded under New York standard forms; *provided, however*, that the inclusion of the Project and the Mortgaged Property under a blanket insurance policy or policies of the Institution insuring against the aforesaid hazards in an amount aggregating at least one hundred per centum (100%) of the insurable value of the insured property, exclusive of excavations and foundations and similar property normally excluded under New York standard forms, shall constitute complete compliance with the provisions described in this subparagraph with respect to the Project and the Mortgaged Property; *provided further*, that in any event, each such policy shall be in an amount sufficient to prevent the Institution and the Authority from becoming co insurers under the applicable terms of such policy;

(iii) at all times, statutory workers' compensation insurance, covering loss resulting from injury, sickness, disability or death of employees and employer's liability insurance with limits of at least \$1,000,000 for each accident, each sickness, and aggregate occupational illness or sickness;

(iv) at all times, statutory disability benefits;

(v) at all times, commercial general liability insurance protecting the Authority and the Institution against loss or losses from liabilities arising from bodily injury of persons or damage to the property of others caused by accident or occurrence, with limits of not less than \$1,000,000 per accident or occurrence on account of injury to persons or property damage with \$2,000,000 policy aggregate, excluding liability imposed upon the Authority or the Institution by any applicable workers' compensation law;

(vi) if applicable, commencing with the date on which construction of the Project or any improvement on the Mortgaged Property or any part thereof is completed or first occupied, or any equipment, machinery, fixture or personal property covered by comprehensive boiler and machinery coverage is accepted, whichever occurs earlier, insurance providing comprehensive boiler and machinery coverage in an amount considered adequate by the Authority, which insurance may include deductible provisions approved by the Authority; and

(vii) each other form of insurance which the Institution is required by law to provide and such other kinds of insurance in such amounts as from time to time may be reasonably required by the Authority.

(c) Any insurance procured and maintained by the Authority or the Institution pursuant to the Loan Agreement, including any blanket insurance policy, may include deductible provisions reasonably satisfactory to the Authority and the Institution. In determining whether or not any insurance required by the Loan Agreement is reasonably obtainable or if the deductible on any such insurance is a reasonable deductible, the Authority may rely solely and exclusively upon the advice and judgment of any insurance consultant chosen by the Institution and approved by the Authority, and any such decision by the Authority, based upon such advice and judgment, shall be conclusive.

(d) No provision of the Loan Agreement shall be construed to prohibit the Institution from self insuring against any risk at the recommendation of any insurance consultant chosen by the Institution and approved by the Authority; *provided, however*, that self-insurance plans shall not cover property, plant and equipment. The Institution shall also cause an annual evaluation of such self insurance plans to be performed by an independent insurance consultant. The Institution shall provide adequate funding of such self insurance if and to the extent recommended by such insurance consultant and approved by the Authority.

(e) Each policy maintained pursuant to the provisions described in paragraph (b) hereinabove shall provide that the insurer writing such policy shall give at least thirty (30) days notice in writing to the Authority of the cancellation or non-renewal or material change in the policy unless a lesser period of notice is expressly approved in writing by the Authority. The Institution, not later than July 15th of each year, shall provide the Authority and the Insurer (i) with respect to each policy of insurance maintained by the Institution as of the preceding June 30th, a certificate of insurance that sets forth the name of the insurer, the insured parties or loss payees, the level of coverage, the deductible and such other information as the Authority may reasonably request, and (ii) with respect to each self-insurance plan maintained by the Institution as of the preceding June 30th, a written statement describing such plan, the risks insured thereby and the then current level of funding.

(f) All policies of insurance shall be open to inspection by the Authority and the Trustee or their representatives at all reasonable times. If any change shall be made in any such insurance, a description and notice of such change shall be furnished to the Authority and the Trustee at the time of such change. The Institution covenants and agrees not to make any change in any policy of insurance which would reduce the coverages or increase the deductible thereunder without the prior written consent of the Authority.

(g) All policies of insurance maintained pursuant to the provisions described in paragraph (b) hereinabove, other than policies of workers' compensation insurance, shall include the Authority or, if the Loan Agreement and the Mortgage have been assigned to the Trustee, the Trustee as its assignee, as an additional insured or as loss payee.

(h) In the event the Institution fails to provide the insurance required by the provisions described in paragraph (b) hereinabove, the Authority may elect at any time thereafter to procure and maintain the insurance required by the Loan Agreement at the expense of the Institution and shall give written notice thereof to the Insurer. The policies procured and maintained by the Authority shall be open to inspection by the Institution at all reasonable times, and, upon request of the Institution, a complete list describing such policies as of the June 30th preceding the Authority's receipt of such request shall be furnished to the Institution by the Authority.

(Section 25)

Indemnity by Institution

(a) To the extent permitted by law, the Institution, under the Loan Agreement, releases and agrees to hold harmless and indemnify the Authority and its members, officers, officials, counsel, consultants, agents and employees from and against all, and agrees that the Authority and its members, officers, officials, counsel, consultants, agents and employees shall not be liable for any, (i) liabilities, suits, actions, claims, demands, damages, losses, expenses and costs of every kind and nature resulting from any action taken in accordance with, or permitted by, the Loan Agreement, the Mortgage, any Related Agreement or the Resolution, or arising therefrom or incurred by reason thereof or arising from or incurred by reason of the financing of the Project, or (ii) loss or damage to property or any injury to or death of any or all persons that may be occasioned by any cause whatsoever pertaining to the Project or the Mortgaged Property or arising by reason of or in connection with the presence on, in or about the premises of such Project of any person; including in each case, without limiting the generality of the foregoing, causes of action and attorneys' fees and other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing and including any loss, damage or liability which may arise as a result of the negligence (but excluding any loss, damage or liability which may arise as a result of the gross negligence, willful misconduct or intentional misrepresentation) of any party so indemnified by the Institution, and to deliver at the request of the Authority any further instrument or instruments in form satisfactory to the Authority as in the reasonable judgment of the Authority may be necessary to effectuate more fully the provisions described in this paragraph (a); *provided, however*, that (i) the indemnity described in this sentence shall be effective only to the extent of any loss or liability that may be sustained by the Authority in excess of net proceeds received from any insurance carried with respect to such loss or liability and (ii) the Authority and the Institution shall each provide waiver of rights of subrogation against the other in any insurance coverage obtained relating to the Project. The indemnity provided for such parties by the provisions described in this paragraph (a) shall be in addition to and not limited by any of the provisions described in paragraph (b) of this heading or of Section 25 or Section 27 of the Loan Agreement; *provided, however*, that, to the extent the Authority receives indemnification pursuant to such Sections, the Authority shall not be entitled to additional indemnification pursuant to the provisions described in this paragraph (a).

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

(c) In case any action shall be brought in respect of which indemnity may be sought against the Institution pursuant to this Section, any person seeking indemnity under the Loan Agreement shall promptly notify the Institution in writing, and the Institution shall promptly assume the defense thereof, including the employment of counsel and the payment of all expenses; *provided, however*, that the Institution shall have the right to negotiate and consent to settlement and that it shall be the duty of such person to cooperate with the Institution in asserting such defense and in reaching such settlement. Any such person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such person unless the

employment of such counsel has been specifically authorized by the Institution. The Institution shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Institution or if there be a final judgment for the plaintiff in any such action with or without the Institution's consent, the Institution agrees to indemnify and hold harmless such person from and against any loss or liability by reason of such settlement or judgment in accordance with the provisions described in this heading.

(Section 30)

Defaults and Remedies

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

(i) the Institution shall (A) default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance with the Loan Agreement, the Series Resolution or with the Resolution, and such default continues for a period in excess of seven (7) days or (B) default in the timely payment of any amount payable pursuant to the Loan Agreement; or

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

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

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

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

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

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

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

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

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

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

(xii) the Institution defaults under the Mortgage and such default continues beyond any applicable grace period;

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

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

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

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

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

(v) realize upon any pledge of or security interest in the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement, by any one or more of the following actions: (A) enter the Institution and examine and make copies of the financial books and records of the Institution relating to the Pledged Revenues and take possession of all checks or other orders for payment of money and moneys in the possession of the Institution representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; *provided, however*, that (1) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor,

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

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

purpose of exercising the rights granted to the Authority by the provisions described in this subparagraph (vi) during the term of the Loan Agreement;

(vii) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising from the Loan Agreement, from the Series Resolution or from the Resolution;

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

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

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

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

(Section 31)

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**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts

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

(Section 1.03)

Pledge of Revenues

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

recorded or filed. The Bonds of each Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Pledged Revenues and the funds and accounts established under the Resolution and pursuant to a Series Resolution and which are pledged under the Resolution as provided therein, which pledge shall constitute a first lien thereon, subject only to the applicable Prior Pledges.

(Section 5.01)

Establishment of Funds and Accounts

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

Construction Fund;
Debt Service Fund; and
Arbitrage Rebate Fund.

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

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

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

(Section 5.03)

Application of Moneys in the Construction Fund

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

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

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

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

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

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

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

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

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

(Section 5.04)

Deposit of Revenues and Allocation Thereof

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

First: To the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds of a Series payable on or prior to the next succeeding January 1, and (b) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the Resolution, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, and (b) the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption pursuant to the Resolution, plus accrued interest thereon to the date of purchase or redemption;

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

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

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

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

(Section 5.05)

Debt Service Fund

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

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

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

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

The amounts paid out pursuant to the provisions described in this paragraph shall be irrevocably pledged to and applied to such payments.

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

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

(Section 5.06)

Debt Service Reserve Fund

(a) (i) The Trustee shall deposit to the Debt Service Reserve Fund proceeds of the sale of Series 2006 Bonds in accordance with the Series 2006 Resolution (unless the Authority deposits or causes to be deposited a Reserve Fund Facility in lieu thereof), and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by the Institution for the purposes of the Debt Service Reserve Fund.

(ii) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations otherwise required to be deposited in the Debt Service Reserve Fund, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the Debt Service Reserve Fund Requirement; provided that any such surety bond or insurance policy shall be issued

by an insurance company or association duly authorized to do business in the State (i) the claims paying ability of which is rated the highest rating accorded by a nationally recognized insurance rating agency or (ii) 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 for such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category by Moody’s and S&P or, if the Series 2006 Bonds are not rated by Moody’s and S&P by whichever of said rating services that then rates the Series 2006 Bonds; provided, further, that any such letter of credit shall be issued by a bank, a trust company, a national bank association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by Moody’s and S&P or, if the Series 2006 Bonds are not rated by Moody’s and S&P by whichever of said rating services that then rates the Series 2006 Bonds; and provided further that the written consent from the Insurer to the delivery of such Reserve Fund Facility shall have been obtained.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to the Insurer 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 and (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Insurer.

Each Reserve Fund Facility shall 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 Debt Service Reserve Fund.

For the purposes of this heading, in computing the amount on deposit in the Debt Service Reserve Fund, a letter of credit, a surety bond or an insurance policy shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and applied to the payment of interest, principal and Sinking Fund Installments at the times and in the amounts required to comply with the provisions the Resolution provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from an Debt Service Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom the Trustee shall obtain payment under each such Reserve Fund Facility pro rata based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility deposited in the Debt Service Reserve Fund, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

(c) Moneys and investments held for the credit of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be withdrawn by the Trustee and deposited, upon direction of the Authority, in the Arbitrage Rebate Fund, the Debt Service Fund and the Construction Fund or applied to the redemption of Series 2006 Bonds in accordance with such direction.

(d) If, upon a valuation, the value of all moneys, Government Obligations, Exempt Obligations and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority, the Insurer, each Facility Provider and the Institution of such deficiency. The Institution shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustees moneys, Government Obligations or Exempt Obligations the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(Section 5.02 of the 2006 Series Resolution)

Arbitrage Rebate Fund

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

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

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

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

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

(Section 5.08)

Investment of Funds Held by the Trustee

(a) Moneys held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of an Insurer or a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that each such investment shall 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 Resolution; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

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

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

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

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

(Section 6.02)

Refunding Bonds and Additional Obligations

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other

moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds.

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

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created under the Resolution and pursuant to a Series Resolution, or prior or equal to the rights of the Authority and Holders of Bonds of a Series, *provided, however,* that the Institution may incur Permitted Indebtedness.

(Sections 2.04 and 2.05)

Creation of Liens

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

(Section 7.06)

Events of Default

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

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

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

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

(d) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds of such Series or in a Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than

twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

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

(Section 11.02)

Acceleration of Maturity

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

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the applicable Facility Provider or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding

Bonds of a Series, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or of such Facility Provider or under the applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power granted under the Resolution or granted under such Series Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

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

(Section 11.04)

Priority of Payments After Default

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

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

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

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

(b) Unless otherwise provided in a Series Resolution, if the principal of all of the Bonds of a Series has become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other such Bond, ratably, according to the amounts due

respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds.

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

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

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

(Section 11.05)

Bondholders' Direction of Proceedings

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

(Section 11.07)

Limitation of Rights of Individual Bondholders.

Neither a Holder of any of the Bonds of a Series nor the Insurer of any of such Series of Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder or Insurer previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series shall have made written request

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

(Section 11.08)

Modification and Amendment Without Consent

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

- (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (c) To prescribe further limitations and restrictions upon the issuance of Bonds of a Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (e) To confirm, as further assurance, any pledge under the Resolution or under a Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, or any Series Resolution, of the Revenues, or any pledge of any other moneys, Securities or funds;
- (f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of a Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds of such Series

issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;

(g) To provide rights and privileges of an Insurer in addition to those set forth in the Resolution that do not materially and adversely affect the Holders of the Bonds of a Series or other Insurers; or

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

(Section 9.01)

Applicable Supplemental Resolutions Effective with Consent of Bondholders

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

(Section 9.02)

Amendment of Loan Agreement

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

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

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

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

(iv) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of a Project, to amend the description of a Project or to add an additional Project to such Loan Agreement;

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

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

(b) Notwithstanding the provisions described in paragraph (a) of this heading, a Loan Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds of the applicable Series, as provided in the Resolution, if such amendment, change, modification, termination or waiver (i) reduces the amount payable by the Institution under such Loan Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute “Events of Default” under such Loan Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority under such Loan Agreement upon the occurrence of an “Event of Default” thereunder, or (iv) adversely affects the rights of the Bondholders of such Series of Bonds or any Insurer of such Series of Bonds in any material respect.

No such amendment, change, modification, termination or waiver shall take effect without the prior written consent of the Holders of at least a majority in principal amount of the Bonds of such Series then Outstanding.

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

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

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

For all purposes of the provisions described above, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment,

change, modification or alteration adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Defeasance

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

(b) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the provisions described in paragraph (a) of this heading. All Outstanding Bonds of a Series or any maturity within such Series or a portion of a maturity within such Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions described in paragraph (a) of this heading if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will, as verified by the report of a firm of independent certified public accountants, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of a Series on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by the provisions described in clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with the Resolution. The Trustee shall select which Bonds of such Series and maturity payment of which shall be made in accordance with, and in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the provisions described under this heading nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment

of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; *provided, however*, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date of the Resolution, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created under the Resolution or by the applicable Loan Agreement.

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

(d) No principal or Sinking Fund Installment of or installment of interest on a Bond of a Series shall be considered to have been paid, and the obligation of the Authority for the payment thereof shall continue, notwithstanding that an Insurer pursuant to an Insurance Policy issued with respect to such Bond has paid the principal or Sinking Fund Installment thereof or the installment of interest thereon.

(Section 12.01)

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**FORM OF APPROVING OPINION
OF BOND COUNSEL**

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[Date of Closing]

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of \$29,110,000 aggregate principal amount of Albany Public Library Insured Revenue Bonds, Series 2007 (the "Series 2007 Bonds") by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended (the "Act"). Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2007 Bonds are issued under and pursuant to (i) the Act, (ii) the Authority's Albany Public Library Insured Revenue Bond Resolution duly adopted on April 25, 2007 (the "Resolution"), (iii) the Authority's Series Resolution Authorizing Up To \$29,110,000 Albany Public Library Insured Revenue Bonds, Series 2007, duly adopted on April 25, 2007 (the "Series 2007 Resolution"; and collectively with the Resolution, the "Resolutions"), and (iv) a Bond Series Certificate (the "Bond Series Certificate") delivered by an Authorized Officer of the Authority pursuant to the Resolutions setting forth certain terms of the Series 2007 Bonds.

The Series 2007 Bonds are being issued for the purposes set forth in the Resolutions, including providing moneys to make a loan to Albany Public Library (the "Library") the proceeds of which will be used to finance the Project, as defined in the Series 2007 Resolution.

The Series 2007 Bonds are dated their date of delivery, shall mature on July 1 in each of the years and shall bear interest, payable January 1, 2008 and semi-annually thereafter on July 1 and January 1 in each year, at the respective rates per annum set forth below:

<u>Due</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Due</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2008	\$450,000	4.00%	2018	\$ 730,000	4.25%
2009	510,000	4.00	2019	760,000	4.25
2010	530,000	4.25	2020	795,000	4.25
2011	550,000	4.25	2021	830,000	4.50
2012	575,000	4.25	2022	865,000	4.50
2013	600,000	4.25	2023	905,000	4.50
2014	625,000	4.00	2024	945,000	4.50
2015	650,000	4.00	2025	990,000	4.50
2016	675,000	4.00	2030	5,705,000	5.00
2017	700,000	4.125	2037	10,720,000	5.00

The Series 2007 Bonds are issuable in the form of fully registered bonds in the denomination of \$5,000 or integral multiples thereof. The Series 2007 Bonds are numbered "R-" consecutively from one upward in order of issuance.

The Series 2007 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity in the manner and upon the terms and conditions set forth in the Resolutions and in the Bond Series Certificate.

The Authority and the Library have entered into a Loan Agreement, dated as of April 25, 2007 (the “Loan Agreement”), pursuant to which (a) the Authority has agreed to make a loan to the Library and (b) the Library is required to make payments sufficient to pay, among other things, the principal of and interest on the Series 2007 Bonds. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal or Redemption Price of, or interest on, the Series 2007 Bonds or to maintain the Debt Service Reserve Fund established for the Series 2007 Bonds at its requirement have been pledged by the Authority for the benefit of the Holders of the Series 2007 Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2007 Bonds in order that interest on the Series 2007 Bonds will be and remain not included in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and the rebate to the United States of certain earnings in respect of investments and required ownership of the bond-financed facility by a governmental unit. Failure to comply with the continuing requirements may cause interest on the Series 2007 Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance. In the Series 2007 Resolution and the Loan Agreement and the Tax and Arbitrage Certificate, dated the date hereof (the “Tax Certificate”) of the Authority and the Institution, such parties have separately covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

In rendering the opinions set forth in paragraph 5 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificate by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificate, interest on the Series 2007 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original execution and delivery of the Series 2007 Bonds, regardless of the date on which the event causing such inclusion occurs. We render no opinion as to the non-inclusion in gross income of interest on the Series 2007 Bonds for purposes of federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Certificate or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2007 Bonds may affect the tax status of interest on the Series 2007 Bonds. Further, although interest on the Series 2007 Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2007 Bond depending upon the tax status of such holder and such holder’s other items of income and deduction. Except as stated in paragraphs 5 and 6 herein, we express no opinion as to any other federal or state and local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2007 Bonds.

We have also examined one of the Series 2007 Bonds as executed and authenticated.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2007 Bonds thereunder.
2. The Series 2007 Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions have been duly and lawfully adopted by the Authority. The Resolutions are in full force and effect, and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.
3. The Series 2007 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2007 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the benefits of the Resolutions and the Act.

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

5. Under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the Tax Certificate, interest on the Series 2007 Bonds is not included in gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that interest on the Series 2007 Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; we note, however, that interest on the Series 2007 Bonds is included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

The difference between the principal amount of the Series 2007 Bonds maturing July 1, 2015 through July 1, 2017, inclusive, July 1, 2019, July 1, 2020, July 1, 2024 and July 1, 2025 (collectively, the “Discount Bonds”), and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial purchaser of such an owner’s adjusted basis for purposes of determining an owner’s gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of such corporation’s federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Series 2007 Bonds maturing July 1, 2008 through July 1, 2013, inclusive, July 1, 2021, July 1, 2022, July 1, 2030 and July 1, 2037 (collectively, the “Premium Bonds”) are initially offered to the public at prices greater than the amounts payable thereon at maturity. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner’s original cost of acquiring such Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

6. Under existing statutes, including the Act, interest on the Series 2007 Bonds is exempt from personal income taxes imposed by the State of New York and any of its political subdivisions.

The opinions contained in paragraphs 2, 3 and 4 above are qualified only to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2007 Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors’ rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2007 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2007 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

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**SPECIMEN FINANCIAL GUARANTY
INSURANCE POLICY**

Appendix F

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



Endorsement

Policy for:

Attached to and forming part of Policy No.:

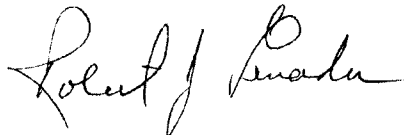
Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation



President



Secretary

Authorized Representative