

NEW ISSUE - BOOK ENTRY ONLY**MOODY'S RATING: A1/VMIG1**

See "RATING" herein

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2008A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the Series 2008B Bonds is included in gross income for Federal income tax purposes. Bond counsel is further of the opinion that interest on the Series 2008B Bonds is exempt under existing laws from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York and the City of Yonkers). See "Tax Matters" herein.

CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY

\$5,660,000

\$40,000

**TAX-EXEMPT VARIABLE RATE DEMAND
CIVIC FACILITY REVENUE BONDS**
**TAXABLE VARIABLE RATE DEMAND
CIVIC FACILITY REVENUE BONDS**
**(UNION GRADUATE COLLEGE PROJECT - LETTER OF CREDIT
SECURED), SERIES 2008A**
**(UNION GRADUATE COLLEGE PROJECT - LETTER OF CREDIT
SECURED), SERIES 2008B**
Dated: Date of Delivery**Price: 100%****Series A Due: September 1, 2037****Series B Due: September 1, 2009**

The Tax-Exempt Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project - Letter of Credit Secured), Series 2008A (the "Series 2008A Bonds") and the Taxable Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project - Letter of Credit Secured), Series 2008B (the "Series 2008B Bonds" and collectively with the Series 2008A Bonds, the "Bonds"), are being issued by the City of Schenectady Industrial Development Agency (the "Issuer") pursuant to a Trust Indenture dated as of January 1, 2008 (the "Indenture") between the Issuer and Manufacturers and Traders Trust Company, as trustee (the "Trustee"). The Bonds are being issued to finance a project consisting of: (A)(i) the acquisition of an interest in land located at 80 Nott Terrace in the City of Schenectady, Schenectady County, New York (the "Land"), (ii) the construction of an approximately 24,000 square foot building for use as faculty and administrative office space as well as student registration, advisement and financial aid (the "Facility"), and (iii) the acquisition and installation therein and thereon of certain machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment being collectively referred to as the "Project Facility"); (B) the financing of all or a portion of the costs of the foregoing by the issuance of the Bonds; (C) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including exemption from real estate transfer taxes and mortgage recording taxes; and (D) the sale of the Issuer's interest in the Project Facility to Union Graduate College (the "Institution").

The Bonds are limited non-recourse obligations of the Issuer payable solely out of the revenues and other receipts of the Issuer pledged therefor or otherwise available to the Trustee for payment of the Bonds, and funds drawn under separate irrevocable direct pay letters of credit issued by

MANUFACTURERS AND TRADERS TRUST COMPANY

(the "Letter of Credit Bank") as more fully described in the Section herein entitled "THE LETTERS OF CREDIT AND LETTER OF CREDIT BANK". The Letter of Credit Bank is also the Trustee, the Tender Agent and the swap provider. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

The Bonds shall initially bear interest at a variable rate per annum (the "Variable Interest Rate") determined weekly by DEPFA First Albany Securities LLC (the "Remarketing Agent"). Interest on the Bonds may, under certain conditions, be converted to a fixed rate of interest ("Fixed Interest Rate"). Interest on the Bonds (other than Pledged Bonds, as defined herein) shall be payable (a) while bearing interest at the Variable Interest Rate, on the first Thursday of each calendar month commencing on March 6, 2008.

After issuance, the Bonds, while bearing interest at a Variable Interest Rate, will be purchased on demand ("Demand Purchase Option") of the holder thereof at a purchase price of par plus accrued interest, on any business day specified in an irrevocable notice ("Tender Notice") to the Tender Agent, which business day shall be not less than seven days after delivery of such notice as more fully described in the Section herein entitled "THE BONDS -- Demand Purchase Option".

The Bonds are subject to optional and extraordinary redemption prior to maturity, mandatory tender for purchase, and to acceleration, all as described herein. See "THE BONDS - Redemption of the Bonds".

The Bonds do not constitute a debt or indebtedness of the State of New York, the City of Schenectady, New York, or any other political subdivision of the State of New York, and neither the full faith and credit nor the taxing power of the State of New York, the City of Schenectady, New York, or any other political subdivision of the State of New York, is pledged to the payment of the Bonds. The Issuer has no taxing power.

The Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$100,000 and integral multiples of \$5,000 in excess thereof. The Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as Registered Owner and nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. See "THE BONDS -- Book-Entry-Only System" herein.

This Official Statement in general describes the Bonds only while the Bonds bear interest at the Variable Interest Rate.

The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of their validity by Hiscock & Barclay, LLP, Albany, New York, Bond Counsel. Certain legal matters will be passed upon by Lemery Greisler LLC, Albany, New York, counsel to the Letter of Credit Bank; by Bond, Shoenek and King, PLLC, Syracuse, New York, counsel to the Trustee; by Harris Beach PLLC, New York, New York, counsel to the Underwriter; by Hodgson Russ LLP, Albany, New York, counsel to the Institution; and by Hiscock & Barclay, LLP, Albany, New York, counsel to the Issuer. The Bonds are expected to be available for delivery in definitive form through The Depository Trust Company in New York, New York, on or about January 30, 2008.


DEPFA FIRST ALBANY
Securities LLC

January 28, 2008

**CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY
VARIABLE RATE DEMAND CIVIC FACILITY REVENUE BONDS
(UNION GRADUATE COLLEGE PROJECT – LETTER OF CREDIT SECURED),**

\$5,660,000 Series 2008A Term Bond Due September 1, 2037, Price 100%, CUSIP Number* 806476BY2

\$40,000 Series 2008B Term Bond Due September 1, 2009, Price 100%, CUSIP Number* 806476BZ9

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security, other than the original offering of the Bonds specifically offered hereby. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer, the Institution, the Letter of Credit Bank or the Underwriter. The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Letter of Credit Bank or the Institution since the date hereof. Under no circumstances will this Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Issuer assumes no responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions "THE ISSUER" and "LITIGATION - The Issuer", all of which other information has been furnished by others. Bond Counsel has furnished all information in this Official Statement under the caption "TAX MATTERS" and in Appendix D (other than under the heading "SUMMARY OF THE REIMBURSEMENT AGREEMENT"). All other information set forth herein and in the appendices hereto has been furnished by the Institution or the Letter of Credit Bank and from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, nor is it to be construed as a representation or warranty by, the Issuer.

The Underwriter has reviewed the information in this in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement. With respect to the various states in which the Bonds may be sold, no attorney general, state official, state agency or bureau, or other state or local governmental entity has passed upon the accuracy or adequacy of this Official Statement or passed upon or endorsed the merits of this offering of the Bonds.

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Official Statement relating to

\$5,660,000

**TAX-EXEMPT VARIABLE RATE DEMAND CIVIC FACILITY REVENUE BONDS
(UNION GRADUATE COLLEGE PROJECT – LETTER OF CREDIT SECURED),
SERIES 2008A**

and

\$40,000

**TAXABLE VARIABLE RATE DEMAND CIVIC FACILITY REVENUE BONDS
(UNION GRADUATE COLLEGE PROJECT – LETTER OF CREDIT SECURED),
SERIES 2008B**

INTRODUCTION

This Official Statement, including the cover page, Table of Contents page and the Appendices hereto, is provided to furnish information with respect to the issuance and sale by the City of Schenectady Industrial Development Agency (the “Issuer”) of \$5,660,000 aggregate principal amount of its Tax-Exempt Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Series 2008A (the “Series 2008A Bonds”) and \$40,000 Taxable Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Series 2008B (the “Series 2008B Bonds” and together with the Series 2008A Bonds, the “Bonds”).

The Bonds are to be issued under and secured by and entitled to the protection of a Trust Indenture dated as of January 1, 2008 (the “Indenture”) between the Issuer and Manufacturers and Traders Trust Company, in its capacity as trustee (the “Trustee”). Manufacturers and Traders Trust Company is also providing the Letters of Credit securing the Bonds and will act as the counterparty for the swap to be entered into by the Institution on the date of closing of the Bonds. See “The Swap Agreement” herein.

The Bonds are being issued for the purpose of providing funding for a portion of the costs of a project (the “Project”) consisting of the following: (A) (1) the acquisition of an interest in land located at 80 Nott Terrace in the City of Schenectady, Schenectady County, New York (the “Land”), (2) the construction of an approximately 24,000 square foot building for use as faculty and administrative office space as well as student registration, advisement and financial aid (the “Facility”), and (3) the acquisition and installation therein and thereon of certain machinery and equipment (the “Equipment”) (the Land, the Facility and the Equipment being collectively referred to as the “Project Facility”); (B) the financing of all or a portion of the costs of the foregoing by the issuance of the Bonds; (C) the granting of certain other “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemption from real estate transfer taxes and mortgage recording taxes; and (D) the sale of the Issuer’s interest in the Project Facility to the Institution. A leasehold interest in the Project Facility has been or will be conveyed by the Institution to the Issuer for a nominal amount under and pursuant to an underlying lease dated as of January 1, 2008 (the “Underlying Lease”) and a bill of sale. The Issuer will sell substantially all of its right, title and interest in the Project Facility to the Institution under and pursuant to an

Installment Sale Agreement dated as of January 1, 2008 between the Issuer and the Institution (the "Sale Agreement"). The Sale Agreement contains an unconditional obligation of the Institution to make payments in the amounts and at the times necessary to pay the principal, interest and redemption premium, if any, and Purchase Price required to be paid on the Bonds when and as the same become due. Further, the payment of the principal of, redemption premium, if any, Purchase Price of, and interest on the Bonds has been guaranteed by the Institution pursuant to a Guaranty Agreement dated as of January 1, 2008 from the Institution to the Trustee (the "Institution Guaranty").

THE BONDS ARE LIMITED NON-RECOURSE OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS MADE BY THE INSTITUTION UNDER THE SALE AGREEMENT, MONEYS AND SECURITIES HELD BY THE TRUSTEE UNDER THE INDENTURE, AND THE SECURITY PROVIDED BY THE LETTERS OF CREDIT (AS DEFINED BELOW) AND CERTAIN OTHER SECURITY PROVIDED THEREIN. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER.

THE BONDS ARE NOT AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK, OR THE CITY OF SCHENECTADY, NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF SCHENECTADY, NEW YORK, SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK.

Concurrently with, and as a condition to, the issuance of the Bonds, Manufacturers and Traders Trust Company, in its capacity as issuer of two irrevocable direct-pay letters of credit (the "Letter of Credit Bank"), will deliver to the Trustee its irrevocable direct-pay letters of credit in substantially the form of Appendix C hereto (the "Letters of Credit"). The Trustee will be entitled under the Letters of Credit to draw (i) an amount to pay the principal of the Bonds upon redemption, acceleration or otherwise or to pay the principal portion of the Purchase Price of the Bonds tendered pursuant to the Demand Purchase Option or purchased pursuant to the mandatory tender for purchase provisions provided for in the Indenture and not remarketed, and (ii) an amount representing interest on the Bonds for up to thirty-five (35) days to pay interest (at an assumed maximum rate of 12% per annum) on the Bonds when due or to pay the interest portion of the Purchase Price of any Bonds tendered pursuant to the Demand Purchase Option or purchased pursuant to the mandatory tender for purchase provisions provided for in the Indenture. See "THE BONDS - Demand Purchase Option" and "THE BONDS - Mandatory Tender for Purchase" herein. The Letters of Credit will be issued pursuant to a Reimbursement Agreement dated as of January 1, 2008 between the Institution, as applicant, and the Letter of Credit Bank (the "Reimbursement Agreement"). The Institution will agree in the Reimbursement Agreement to reimburse the Letter of Credit Bank for drawings made under the Letters of Credit and to make certain other payments.

The Indenture will create a lien on the Trust Estate, as therein defined, on any and all amounts received by the Trustee thereunder, any and all moneys and securities held from time to time by the Trustee for the benefit of the holders of the Bonds pursuant to the Indenture, and any and all other property pledged to the Trustee thereunder. Pursuant to the Indenture and the Pledge and Assignment from the Issuer to the Trustee and the Letter of Credit Bank dated as of January 1, 2008 (the "Pledge and Assignment"), the Issuer will pledge and assign to the Trustee, for the benefit of the holders of the Bonds, and to the Letter of Credit Bank, all right, title and interest of the Issuer in and

to the Sale Agreement, including all rights to receive installment purchase payments, which rights may be enforced (i) by the Bank while the Letters of Credit (or a Substitute Letter of Credit) are in effect (and not in default), or (ii) by the Trustee if the Letters of Credit (or a Substitute Letter of Credit) are not in effect (or if in effect but in default), excluding, however, claims arising and moneys payable pursuant to the Issuer pursuant to the Issuer's Reserved Rights.

The Institution will make certain tax covenants ("Tax Covenants") in the Tax Compliance Agreement between the Institution and the Issuer pursuant to which the Institution and the Issuer, among other things, will agree and covenant to at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series 2008A Bonds shall, for purposes of Federal income taxation, be excludable from gross income. See "TAX MATTERS" herein.

The Bonds are subject to optional and extraordinary redemption prior to maturity as described herein. See "THE BONDS - Redemption of the Bonds" herein.

Brief descriptions of the Issuer, the Institution, the Letter of Credit Bank and the Project, and certain provisions of the Bonds, the Indenture, the Bond Documents, and the Letters of Credit are included herein or in the Appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All such descriptions are qualified in their entirety by reference to each such instrument or document and the description of the Bonds is qualified by reference to the terms thereof. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies, in reasonable quantities, of the foregoing documents may be obtained from the Underwriter or the Institution during the period of the offering. Subsequent to delivery of the Bonds, executed copies of the same may be examined at the principal corporate office of the Trustee. Potential purchasers of the Bonds are encouraged to review all documents prior to investing in the Bonds.

Capitalized terms used in this Official Statement and not otherwise defined shall have the meanings assigned thereto in Appendix D hereto. Terms not otherwise defined in this Official Statement shall have the meanings assigned thereto in the specified documents.

THE ISSUER

The Issuer was established by the State of New York as a corporate governmental agency, constituting a public benefit corporation of the State of New York pursuant to the New York State Industrial Development Agency Act, Article 18A of the General Municipal Law, as amended, and the Issuer's enabling legislation, Chapter 1030 of the 1969 Laws of the State of New York (collectively, the "Act"). The Issuer is authorized under the Act and by resolutions adopted by the Issuer to issue and sell the Bonds, to enter into the Indenture and the Pledge and Assignment, and to sell substantially all of its right, title and interest in the Project Facility to the Institution pursuant to the Sale Agreement.

PAYMENT OF THE BONDS SHALL NEVER CONSTITUTE A DEBT OR INDEBTEDNESS OF THE STATE OF NEW YORK NOR OF THE CITY OF SCHENECTADY, NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF SCHENECTADY, NEW YORK SHALL BE LIABLE THEREON, NOR SHALL THE BONDS BE

PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR. THE ISSUER HAS NO TAXING POWER.

THE BONDS

General

This Official Statement in general describes the Bonds only while the Bonds bear interest at the Variable Interest Rate.

The Bonds, when issued, will be dated the date of delivery of the Bonds, will initially bear interest (on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed) at a variable rate of interest (the "Variable Interest Rate") as set forth in the Indenture through the first Wednesday following the date of original issuance of the Bonds and thereafter at the lesser of (a) the Variable Interest Rate as determined in accordance with the Indenture, (b) the maximum interest rate permitted by or enforceable under applicable law, and (c) the maximum interest rate specified by the Letters of Credit then in effect supporting the Bonds subject to adjustment as provided in the Indenture, as such Variable Interest Rate may be adjusted from time to time in accordance with the Indenture.

After the date of original issuance, the Variable Interest Rate shall be determined on Wednesday of each week (the "Determination Date") by the Remarketing Agent to be the minimum rate of interest necessary to enable the Remarketing Agent to remarket the Bonds at par. The Variable Interest Rate shall become effective on Thursday of each week, whether or not that Thursday is a Business Day and shall continue in effect through Wednesday of the following week, whether or not that Wednesday is a Business Day. *Interest on the Bonds shall be paid on the first Thursday of each calendar month, commencing March 6, 2008.*

Interest Rate Conversion

At the option of the Institution, the rate of interest on the Bonds shall be converted from the Variable Interest Rate to the Fixed Interest Rate. Such option may be exercised by the delivery of a notice by the Institution specifying (i) the Fixed Interest Rate Conversion Date (which date shall not be less than thirty-five (35) days after the date the Institution gives written direction of the conversion to the Fixed Interest Rate), (ii) the Determination Date on which the Remarketing Agent is to establish the Fixed Interest Rate, (iii) the name and address of the provider issuing the Substitute Letters of Credit to be issued in replacement of the existing Letters of Credit, and (iv) any rating expected to be assigned to the Bonds based on such Substitute Letter of Credit. Such notice must be accompanied by an opinion of Bond Counsel. The Remarketing Agent shall establish the Fixed Interest Rate as the lowest rate of interest that would, in its best professional judgment, based on prevailing market conditions and the yields at which comparable securities are then being sold, be necessary to sell the Bonds in the secondary market at par, plus accrued interest. The conversion of the interest rate on the Bonds to the Fixed Interest Rate shall result in a mandatory tender for purchase of the Bonds.

Demand Purchase Option

During the Variable Interest Rate Period, any Owner of a Bond shall have the right to tender such Bond to the Tender Agent in whole or in any Authorized Denomination (provided that after such tender such remaining portion shall be in an Authorized Denomination) on any Purchase Date that is a Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest upon:

- (1) Delivery to the Tender Agent, by mail, delivery, or facsimile transmission, by 1:00 p.m., New York City time, with a copy to the Remarketing Agent, of a tender notice (the "Tender Notice"), specifying (a) the principal amount of the Bonds to be tendered for purchase and identifying by bond number the Bonds to be so tendered, and (b) the date on which the Bonds shall be purchased, which date shall be a Purchase Date not prior to the seventh (7th) day next succeeding the date of delivery of the Tender Notice to the Tender Agent; and
- (2) delivery of the Bond to the Tender Agent at or before 10:00 a.m., New York City time, on the Purchase Date specified in the tender notice, together with an instrument of assignment or transfer duly executed in blank.

See Appendix E hereto for a copy of the form of Tender Notice.

Notwithstanding the foregoing, the Bonds shall not be subject to optional tender for purchase if, upon the time of tender or upon the Purchase Date, the Bonds shall have been accelerated pursuant to the Indenture and such acceleration shall not have been annulled. Furthermore, no Owner of a Bond shall have the right to tender a Bond (or principal portion thereof) for purchase if the Trustee has mailed notice of redemption for such Bond (or principal portion thereof).

On the specified Purchase Date, the Tender Agent shall purchase all Bonds as to which notice of tender shall have been received at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, thereon. If there shall have been deposited Available Moneys sufficient to pay the Purchase Price of all such Bonds tendered or deemed tendered, then the Owner of any such Bond not so tendered shall not be entitled to receive interest on such unsurrendered Bond on and after the specified Purchase Date.

Mandatory Tender for Purchase

The Owner of each Bond shall be required to tender such Bond to the Tender Agent for purchase on (i) a Letter of Credit Substitution Date (unless a Ratings Letter shall have been delivered pursuant to the Indenture) or, (ii) a Letter of Credit Termination Date, or (iii) the Fixed Interest Rate Conversion Date (each such date is a "Mandatory Tender Date"), provided that if the Institution shall have delivered a Substitute Letter(s) of Credit in accordance with the Indenture at least thirty-five (35) days prior to the Stated Expiration Date of the current Credit Facility, then the Bonds shall not be subject to mandatory tender on the Letter of Credit Termination Date of the Letter(s) of Credit being replaced by the Substitute(s) Letter of Credit.

Notice of a mandatory tender shall be given to the owners of all Bonds not less than fifteen (15) nor more than twenty (20) days prior to a Mandatory Tender Date. All Bonds shall be tendered by the Owner or Beneficial Owner thereof for purchase at or before 10:00 a.m., New York City time,

on such Mandatory Tender Date (or, if the Mandatory Tender Date is not a Business Day, on the immediately following Business Day), together with an instrument of assignment or transfer duly executed in blank and shall be purchased on the Mandatory Tender Date (or, if the Mandatory Tender Date is not a Business Day, on the immediately following Business Day) at a Purchase Price equal to the principal amount thereof and accrued interest, if any, thereon. Any such Bond which is not so tendered but for which there has been deposited Available Moneys sufficient to pay the Purchase Price thereof and of all other Tendered Bonds on the Mandatory Tender Date, shall be deemed to have been tendered and purchased from such Owner on the Mandatory Tender Date.

If there has been deposited Available Moneys sufficient to pay the Purchase Price of all Bonds tendered or deemed tendered for purchase on the Mandatory Tender Date, the Owner of any unsurrendered Bond shall not be entitled to receive interest on such unsurrendered Bond on and after such Mandatory Tender Date.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is held in book-entry-only form (see "Book-Entry-Only System" below), such Bond need not be delivered in connection with any optional or mandatory tender of Bonds as described above. In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC, including, without limitation, DTC's delivery order and repayment option procedures, as applicable, and practices for seven-day demand securities transfer and payment, all pursuant to the Letter of Representations to be executed and delivered by the Issuer to DTC.

Redemption Prior to Maturity

No Indenture Mandatory Sinking Fund Requirements. The Bonds are not subject to mandatory redemption pursuant to any mandatory sinking fund requirements in the Indenture. However, the Reimbursement Agreement provides that the Institution is required to optionally redeem an aggregate principal amount of Bonds each year pursuant to a schedule incorporated into the Reimbursement Agreement. Such requirement under the Reimbursement Agreement may be changed by the Bank and the Institution at any time without the consent of or notice to the Bondholders.

Optional Redemption. During the Variable Interest Rate Period, at the option of the Issuer (which option shall be exercised upon and only upon the giving of notice by the Institution of its intention to prepay installment purchase payments due under the Sale Agreement), the Bonds are subject to redemption prior to maturity as a whole at any time or in part on any Interest Payment Date (but if in part in the minimum principal amount of \$100,000 plus integral multiples of \$5,000 in excess thereof) at the Redemption Price of one hundred percent (100%) of the principal thereof, plus accrued interest to the Redemption Date.

Extraordinary Redemption Without Premium. (1) To the extent the Trustee receives property insurance or title insurance proceeds, condemnation awards or proceeds of any conveyance in lieu of condemnation, which are directed to the redemption of Bonds pursuant to the Sale Agreement, the Trustee shall redeem Bonds in whole or in part, on any date within sixty (60) days of

direction from the Institution to redeem Bonds at a Redemption Price equal to the principal amount of the Bonds redeemed, plus accrued interest to the Redemption Date, without premium.

(2) The Bonds also are subject to redemption in whole prior to maturity upon receipt by the Trustee of written notice of a final determination by court or Governmental Authority of the invalidity, illegality or unenforceability of the Bonds, the Sale Agreement or the Indenture. In such event, the Bonds shall be redeemed, as a whole, in the manner provided in the Indenture under Article III, on the date fifteen (15) days after receipt by the Trustee of the written notice of such final determination, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date, without premium.

All Optional Redemptions and Extraordinary Redemptions shall be effected by the Trustee only with Available Moneys, with draws under the Letters of Credit being the first source of Available Moneys.

Selection of Bonds to Be Redeemed. In the event of any partial redemption of the Bonds, the particular Bond or portion thereof to be redeemed shall be selected by the Trustee not more than sixty (60) days prior to the Redemption Date by lot or by such other method as the Trustee shall deem fair and appropriate. During the Variable Interest Rate Period, the Trustee may provide for the selection for redemption of portions of the Bonds equal to \$100,000 plus integral multiples of \$5,000 in excess thereof (provided any remaining Bond shall be in an Authorized Denomination). So long as Cede & Co., as nominee of DTC, is the Bondowner, the particular Bonds or portions thereof to be redeemed within a maturity shall be selected by lot by DTC, in such manner as DTC may determine.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing

Corporation, (NSCC, FICC and EMCC), also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under

its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

A Beneficial Owner shall give notice to elect to have its 2007 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such 2007 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2007 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the 2007 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the

2007 Bonds are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered 2007 Bonds to the Tender Agent's DTC account.

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

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

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

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is held in book-entry-only form, the provisions of the DTC Letter of Representations shall control with respect to any provisions thereof that may be inconsistent with the provisions of the Indenture. For example, the tendered Bonds need not be delivered in connection with any optional tender of Bonds described under the caption "Demand Purchase Option" hereinabove. In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent and, in the event of a failure to remarket, to the Trustee, as Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent or the Tender Agent, as applicable. The requirement for physical delivery of Bonds in connection with a demand for purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE BONDHOLDERS UNDER THE INDENTURE; (iii) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE

PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (iv) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE BONDHOLDERS; OR (vi) ANY OTHER MATTER.

THE SWAP AGREEMENT

The Institution expects to enter into a five year interest rate swap agreement, consisting of an ISDA Master Agreement and an accompanying schedule and a confirmation (the "Swap Agreement"), effective on the date of issuance of the Series 2008A Bonds, with Manufacturers and Traders Trust Company (the "Counterparty") to hedge the Institution's interest rate exposure 90% or the aggregate principal amount of the Series 2008A Bonds. The Swap Agreement provides that the Institution will pay the Counterparty interest on a notional amount equal to \$5,094,000 at a fixed rate, and the Counterparty will pay the Institution a variable rate of interest on such notional amount equal to 100% of The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index plus 5 basis points. The Swap Agreement provides that its notional amount will be reduced in the same amount and at the same time the corresponding principal of the Series 2008A Bonds is scheduled to be paid upon redemption. Upon execution of the Swap Agreement, the Institution will have entered into an agreement which effectively swaps for a five year period 90% of its variable rate bond exposure under the Series 2008A Bonds to a blended synthetically fixed rate of interest, which on the date hereof, is anticipated to be approximately 2.8%.

The Swap Agreement does not alter the Institution's continuing underlying obligations under the Sale Agreement and the Indenture to pay the principal of, premium, if any and interest on the Series 2008A Bonds when due. The Counterparty has no obligation to make any payments with respect to the principal of, premium, if any, or interest on the Series 2008A Bonds, and is only obligated to make certain payments to the Institution pursuant to the terms of the Swap Agreement.

Under certain circumstances, the Swap Agreement may be terminated, at which time the Institution may be required to make a termination payment to the Counterparty. The obligation of the Institution to make any such swap payments, including termination payments, will not be subordinate to the obligation of the Institution to make payments under the Sale Agreement or under any other loan agreement entered into by the Institution with the Issuer in connection with any Bonds issued in the future under the Indenture.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

The Institution will be absolutely and unconditionally obligated pursuant to the Sale Agreement to make installment purchase payments to the Trustee which, in the aggregate, will be sufficient to enable the Issuer to pay when due (whether upon maturity, upon redemption or upon acceleration) the principal of, Redemption Price, if applicable, Purchase Price and interest on the Bonds as the same respectively become due. Pursuant to the Indenture and the Pledge and Assignment, the Issuer has assigned to the Trustee for the benefit of the Bondholders and to the Letter of Credit Bank, among other things, (i) the Revenues (other than the Rebate Fund, the Letter of Credit Subaccount of the Bond Fund and the Bond Purchase Fund and all moneys and investments therein and the proceeds of draws of the Letters of Credit), provided that amounts deposited with, paid to or received by the Trustee (A) for the redemption of a portion of the Bonds, notice of the redemption of which has been given, or (B) for the purchase of Tendered Bonds, or (C) for the payment of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and subject to a Lien in favor of only the Owners of such Bonds called for redemption or so tendered or so due and payable, (ii) all right, title and interest of the Issuer in and to the Sale Agreement, including all rights to receive installment purchase payments (excluding the Issuer's Reserved Rights, which rights may be enforced by the Issuer and/or the Trustee and/or the Letter of Credit Bank, jointly or severally), and (iii) any other property, if any, pledged or assigned as additional security for the Bonds. Further, the payment of the principal of, Redemption Price, if applicable, Purchase Price, and interest on the Bonds has been guaranteed by the Institution pursuant to the Institution Guaranty. The Bonds are not secured by any mortgage lien on or security interest in the Project Facility.

Letters of Credit

In addition, the Institution has caused to be delivered to the Trustee two Irrevocable Direct-Pay Letters of Credit issued by the Letter of Credit Bank, each dated the date of original issuance of the Bonds, with the Letter of Credit for the Series 2008A Bonds expiring on January 30, 2013 (the "Series A Letter of Credit") and the Letter of Credit for the Series 2008B Bonds expiring on September 15, 2009 (the "Series B Letter of Credit"). The Series 2008A Letter of Credit will be issued in an original stated amount of \$5,625,590, of which \$5,660,000 shall comprise the principal component and \$65,590 shall comprise the interest component (an amount equal to thirty five (35) days interest at an assumed maximum rate of 12% per annum). The Series 2008B Letter of Credit will be issued in an original stated amount of \$40,461, of which \$40,000 shall comprise the principal component and \$461 shall comprise the interest component (an amount equal to thirty five (35) days interest at an assumed maximum rate of 12% per annum). Interest is calculated based upon the number of days elapsed over a period of 365 or 366 days, as the case may be. See, "THE LETTERS OF CREDIT AND LETTER OF CREDIT BANK" herein.

Limited Obligation

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE BY THE ISSUER AS TO PRINCIPAL, REDEMPTION PRICE, OR PURCHASE PRICE, IF APPLICABLE, AND INTEREST SOLELY FROM THE TRUST ESTATE. THE BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR THE CITY OF SCHENECTADY, NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR THE CITY OF SCHENECTADY, NEW YORK, IS OR SHALL BE LIABLE

THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE FULL FAITH AND CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR THE CITY OF SCHENECTADY, NEW YORK. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OF THE ISSUER OTHER THAN THOSE PLEDGED THEREFOR. THE ISSUER HAS NO TAXING POWER.

NEITHER THE MEMBERS, DIRECTORS, EMPLOYEES, OFFICERS OR AGENTS (OTHER THAN THE INSTITUTION) OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE PERSONALLY LIABLE OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY WITH RESPECT TO THE BONDS. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE ISSUER OR ITS MEMBERS, DIRECTORS, EMPLOYEES, OFFICERS OR AGENTS (OTHER THAN THE INSTITUTION) HAS BEEN INCLUDED IN THIS OFFICIAL STATEMENT.

THE ISSUER HAS NOT VERIFIED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN INFORMATION SET FORTH UNDER "THE ISSUER" AND "LITIGATION - THE ISSUER" HEREIN.

Limitations on Remedies

The actual realization of amounts to be derived upon the enforcement of any lien or security interest securing the Bonds will depend upon the exercise of various remedies specified in the Indenture and the other Bond Documents. These and other remedies may require judicial action of a nature which is often subject to discretion and delay. Under existing law, the remedies provided by and specified in such documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or laws affecting the enforcement of creditors' rights generally.

THE LETTERS OF CREDIT AND LETTER OF CREDIT BANK

Letters of Credit

The Letters of Credit shall automatically terminate on the close of business on the earliest to occur of the following dates: (i) the Stated Expiration Date of January 30, 2013 with respect to the Series A letter of Credit and September 15, 2009 with respect to the Series B Letter of Credit, (ii) the date on which the Letter of Credit Bank honors a Drawing which exhausts the Maximum Stated Amount without possibility of reinstatement; (iii) the date on which the Letter of Credit Bank receives a certificate prescribed by the Letters of Credit signed by the Institution certifying the Institution's acceptance of a Substitute Letter of Credit, accompanied by the original of this Credit; or, if later, the effective date specified in such certificate; or (iv) the tenth (10th) Business Day following receipt of written notice by the Trustee from the Letter of Credit Bank stating that an Event of Default (as defined in the Reimbursement Agreement) has occurred and is continuing and instructing the Trustee to cause an acceleration of the Bonds pursuant to the Indenture.

The Letters of Credit will be an irrevocable, direct pay obligation of the Letter of Credit Bank to pay to the Trustee, upon request and in accordance with the terms thereof, (i) an amount sufficient to pay the principal of the Bonds upon redemption, acceleration or otherwise or, to the extent remarketing proceeds are not available therefor, to pay the principal portion of the Purchase Price of any Bonds tendered pursuant to the Demand Purchase Option or subject to mandatory tender for purchase in accordance with the Indenture, and (ii) an amount representing interest on the Bonds for up to thirty five (35) days (at an assumed maximum interest rate of 12% per annum).

The principal and interest components of the Letters of Credit will be subject to reduction and the interest component is subject to reinstatement in accordance with the terms of the Letters of Credit to reflect drawings made thereunder. Any reduction in the interest component of the Letters of Credit resulting from a draw with respect to interest on the Bonds will be reinstated automatically on the date upon which the Bank has honored an interest drawing. The principal and interest components of the Letters of Credit shall not be reinstated for any drawing made with respect to a redemption of the Bonds in whole]

The form of Letter of Credit is attached hereto as Appendix C hereto, to which reference is hereby made.

The Bank will agree to issue the Letters of Credit pursuant to the terms of the Reimbursement Agreement with the Institution. Reference is made to the Letters of Credit and the Reimbursement Agreement for the complete details of the terms thereof. The following is a brief outline of certain provisions of the Reimbursement Agreement and should not be considered a full statement thereof.

Issuance of Letters of Credit

The Bank will agree, subject to the terms and conditions set forth in the Reimbursement Agreement and at the request of and for the account of the Institution, to issue the Letters of Credit in favor of the Trustee.

Payments

The Institution will agree to pay the Bank on demand, a sum (together with interest thereon) equal to the amount of any draw on the Letters of Credit, plus all reasonable charges and expenses which the Bank may pay or incur relative to the Letters of Credit at a fluctuating rate of interest equal to the Prime Rate (as defined in the Reimbursement Agreement) plus two (2.00%) percent per annum.

Events of Default

The following events constitute "Events of Default" under the Reimbursement Agreement:

(a) Failure by the Institution to pay within five (5) days of when due the principal or interest of or any installment of the principal or interest on the Bonds or of any Loans (as defined in the Reimbursement Agreement), or failure to pay any Letter of Credit fee or other fee required under the Reimbursement Agreement when due; or

(b) If any representation or warranty or statement made or deemed made by the Institution in the Reimbursement Agreement or which is contained in any certificate, document, financial or other statement furnished at any time under or in connection with the Reimbursement Agreement shall prove to have been false or misleading in any material respect when made; or

(c) Default by the Institution in the observance or performance of any of the covenants or agreements contained in the Reimbursement Agreement or any other Bank Document and the continuance of such default for 30 days after notice from the Bank to the Institution or

(d) Any breach or default with respect to any indebtedness or guaranty of the Institution when due or the performance of any other obligation of the Institution incurred in connection with any indebtedness for borrowed money;

(e) The Institution shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of any of its assets, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated bankrupt or insolvent, or (v) file a voluntary petition in bankruptcy, or a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation by law or statute, or an answer admitting the material allegations of a petition filed against the Institution in any proceeding under any such law or the filing of an involuntary bankruptcy against the Institution, or if corporate action shall be taken by Institution, for the purpose of effecting any of the foregoing, or

(f) An order, judgment or decree shall be entered, without the application, approval or consent of the Institution, or by any court of competent jurisdiction, approving a petition seeking reorganization of the Institution, or of all or a substantial part of any of its respective properties or assets or appointing a receiver, trustee or liquidator of the Institution, and such order, judgment or decree shall continue unstayed and in effect for a period of 60 days; or

(g) There shall be entered against the Institution one or more judgments or decrees in excess of \$25,000 in the aggregate and the same remain undischarged or unbonded for thirty (30) days; or

(h) The Institution shall become an "investment Institution" within the meaning of the Investment Institution Act of 1940, as the same may be amended from time to time; or

(i) A Reportable Event (as defined in the Reimbursement Agreement) shall occur under ERISA; or

(j) An Event of Default occurs with respect to any of the Financing Documents; or;

(k) The Institution shall cease to conduct business, lose its accreditation as an education institution or shall be dissolved; or

(l) There shall occur a "material citing" by the United States Environmental Protection Agency or any other recognized governmental agency regarding a violation of any law, rule or regulation regarding Hazardous Material; or

(m) The liens created by any of the Financing Documents shall for any reason cease to be valid, perfected security interests or mortgage liens of the required priority in favor of the Bank

(except with respect to UCC filings that have lapsed because the Bank has failed to timely file a continuation statement); or

(n) if the Work (as defined in the Reimbursement Agreement) is not carried on with reasonable dispatch or at any time be discontinued for a period of twenty (20) Business Days or more; or

(o) if the Work, in the reasonable judgment of the Construction Engineer (as defined in the Reimbursement Agreement) and the Bank, cannot be completed on or before the Completion Date (as defined in the Reimbursement Agreement).

If any Event of Default occurs under the Reimbursement Agreement, the Bank may (1) declare the obligations of the Institution under the Reimbursement Agreement to be forthwith due and payable and the same shall thereupon become immediately due and payable without demand, presentment, protest or further notice of any kind, all of which are expressly waived and/or (2) demand the immediate deposit of cash collateral in an amount equal to the full amount then available or which may subsequently become available under the Letters of Credit, and the same shall thereupon become due and payable and/or (3) proceed to enforce all other applicable legal and/or equitable remedies available to it and/or (4) exercise any rights provided to the Bank under the Reimbursement Agreement or under the Financing Documents. Upon any such Event of Default, the Bank shall be entitled to notify the Trustee with the effect contemplated by the Indenture.

Substitute Letters of Credit

The Institution shall have the right, prior to the stated expiration of the Letters of Credit, to obtain a Substitute Letter of Credit, in accordance with and upon compliance with the provisions and requirements specified in the Indenture. See Appendix C hereto.

The Letters of Credit Bank

M&T Bank -- Manufacturers and Traders Trust Company (for purposes of this subsection the "Bank" or "M&T Bank") is a New York commercial bank with its headquarters in Buffalo, New York and a regional office in Baltimore, Maryland. The Bank operates under a charter granted by the State of New York in 1892, and traces the continuity of its banking business to the organization of the Manufacturers and Traders Bank in 1856. At September 30, 2007, the Bank had total consolidated assets of \$59.2 billion, net loans of \$44.6 billion, deposits of \$38.4 billion and stockholder's equity of \$6.5 billion, and operated more than 660 banking offices and more than 1,600 ATMs throughout New York, Pennsylvania, Maryland, Virginia, West Virginia, Delaware, the District of Columbia and New Jersey.

M&T Bank Corporation -- The Bank is a wholly owned subsidiary of M&T Bank Corporation ("M&T"). M&T is incorporated under the laws of New York and is registered as a bank holding company under the Bank Holding Company Act of 1956. Its principal subsidiary is the Bank, the assets of which accounted for approximately 99% of M&T's consolidated total assets at September 30, 2007.

The ratings of Moody's Investors Service, Inc., Standard & Poor's Rating Services and Fitch Ratings on the obligations of M&T and M&T Bank are as follows:

Moody's: Issuer rating for M&T, 'A2'; long-term deposit/short-term deposit/financial strength ratings for M&T Bank, 'A1/P1/B-', respectively.

Standard & Poor's: Counterparty rating for M&T, 'A-'; long-term deposit/short-term deposit ratings for M&T Bank, 'A/A-1', respectively.

Fitch Ratings: Long-term senior debt rating for M&T, 'A-'; long-term senior debt rating/long-term deposit rating for M&T Bank, 'A-/A'; short-term deposit rating for M&T Bank, 'F1.'

On July 19, 2007, M&T Bank Corporation announced that it would acquire Partners Trust Financial Group, Inc., a thrift holding company with \$3.7 billion in assets headquartered in Utica, New York. On September 25, 2007, M&T Bank Corporation announced that it would acquire 13 branches in the Mid-Atlantic region from First Horizon National Corporation. On November 15, 2007, M&T Bank Corporation disclosed that the value of a \$132 million investment in three collateralized debt obligation securities held in the available-for-sale account had been reduced to \$31 million.

Regulatory Considerations

As a state-chartered member bank of the Federal Reserve System, the Bank is primarily regulated by the Board of Governors of the Federal Reserve System (the "Fed") and by the New York Superintendent of Banking. The Fed examines the Bank and supervises numerous aspects of the Bank's business and has the authority to prohibit the Bank from engaging in any activity, which, in the Fed's judgment, constitutes an unsafe or unsound practice. In addition, the deposits of the Bank are insured up to applicable limits by the Bank Insurance Fund of the Federal Deposit Insurance Corporation (the "FDIC"), and the Bank is subject to certain regulations of the FDIC, including insurance premium assessments.

Pursuant to certain provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), if an insured depository institution becomes insolvent and the FDIC is appointed its conservator or receiver, the FDIC may, under FIRREA, disaffirm or repudiate any contract or lease to which such institution is a party, the performance of which is determined to be burdensome, and the disaffirmance or repudiation of which is determined to promote the orderly administration of the institution's affairs.

The Bank is subject to the Fed's capital adequacy guidelines. Under the guidelines, the minimum ratio of Tier 1 capital to risk-weighted assets is 4% and the minimum ratio of Tier 1 capital plus Tier 2 capital ("total capital") to risk-weighted assets is 8%. Tier 1 capital consists of common equity, retained earnings and a limited amount of non-cumulative perpetual preferred stock less goodwill and certain other adjustments. Tier 2 capital consists of other preferred stock, certain hybrid debt/equity instruments, a limited amount of term subordinated debt and a limited amount of the reserve for possible credit losses. The federal banking agencies maintain the risk-based capital standards in order to ensure that the standards take adequate account of interest rate risk, concentration of credit risk, the risk of nontraditional activities and equity investments in non-financial companies, as well as reflect the actual performance and expected risk of loss on certain multifamily housing loans. The Fed has also adopted a minimum "leverage ratio" of Tier 1 capital to average total assets of 3.0%. Applicable regulations provide that most banks will be expected to

maintain the minimum leverage ratio plus an additional 100 to 200 basis-point cushion. Failure to meet applicable capital guidelines could subject the Bank to a variety of enforcement remedies available to federal regulatory authorities. As of September 30, 2007, the Bank's Tier 1 capital ratio was 6.74%, its total capital ratio was 10.67% and its leverage ratio was 6.44%, all of which exceeded the required capital ratios for classification as "well capitalized," the highest classification under the regulatory capital guidelines.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") subjects banks to significantly increased regulation and supervision. Among other things, FDICIA requires federal bank regulatory authorities to take "prompt corrective action" in respect of banks that do not meet minimum capital requirements. FDICIA establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The three undercapitalized categories are based upon the amount by which a bank falls below the ratios applicable to adequately capitalized institutions.

Under FDICIA, a bank that is not well capitalized is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market. In addition, pass-through insurance coverage may not be available for certain employee benefit accounts. Undercapitalized banks are subject to limitations on growth and the payment of dividends and are required to submit a capital restoration plan. If a bank fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized banks are subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized banks (which are defined to include banks with positive net worth) are generally subject to the mandatory appointment of a conservator or receiver.

Available Information

The Bank files quarterly reports called "Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices," or "Call Reports," with the FDIC. The Call Reports are publicly available at the FDIC, 550 17th Street, N.W., Washington, D.C. 20429, and are also available through the FDIC's website at www.fdic.gov. Each Call Report consists of a balance sheet, income statement, changes in equity capital and other supporting schedules as of the end of the period to which the report relates. The Call Reports are prepared substantially in accordance with generally accepted accounting principles. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosures about the Bank, they do provide important information concerning the financial condition of the Bank.

In addition, information regarding M&T's businesses, its financial condition and results of operations is contained in its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and other filings it makes with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended. Copies of these reports are available from the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 or over the Internet on the SEC's website at <http://www.sec.gov>.

The information contained in this subsection relates to and has been obtained from the Bank. The delivery of this information shall not create any implication that there has been no change in the

affairs of the Bank since the date of this Official Statement, or that the information contained or referred to above is correct as of any time subsequent to the date of this Official Statement.

The underwriter and its counsel, and the Issuer and its counsel, have not independently verified any financial information furnished by the Bank, nor have they ascertained the correctness, accuracy, or completeness of such information. In addition, they have not independently determined the financial position of the Bank or whether the Bank is or will be financially capable of fulfilling its obligations under the Letters of Credit. There can be no assurance that such information is indicative of the current financial position or future financial performance or financial condition of the Bank.

THE LETTERS OF CREDITS ARE UNSECURED OBLIGATIONS OF THE BANK. THE LETTERS OF CREDIT ARE NOT A SAVINGS ACCOUNT, CHECKING ACCOUNT OR OTHER DEPOSIT ACCOUNT OBLIGATION OF THE BANK.

IN THE EVENT OF A DEFAULT BY THE BANK UNDER THE LETTERS OF CREDIT, NO INSURANCE PROCEEDS FROM THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, INSTRUMENTALITY OR AUTHORITY WOULD BE AVAILABLE TO PAY THE BONDS.

THE OBLIGATIONS OF THE BANK UNDER THE LETTERS OF CREDIT ARE THE OBLIGATIONS OF THE BANK AND ARE NOT THE OBLIGATIONS OF THE ISSUER.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the Institution's estimates of sources and uses of funds in connection with the Project:

SOURCE OF FUNDS

Series 2008A and Series 2008B Bond Proceeds	\$5,700,000.00
Interest Earnings on Project Construction Fund	<u>71,407.81</u>
Total Sources of Funds	<u>\$5,771,407.81</u>

USE OF FUNDS

Deposit to the Project Fund	\$5,515,017.48
Cost of Issuances*	<u>256,390.33</u>
Total Uses of Funds	<u>\$5,771,407.81</u>

* Includes underwriter's fee, letters of credit bank fees, Issuer fee, counsel fees, printing and other financing costs, of which \$113,200 is subject to the 2% cost of issuance limitation.

THE TRUSTEE

Manufacturers and Traders Trust Company is the Trustee and the Tender Agent under the Indenture. A successor Trustee may be appointed in accordance with the terms of the Indenture. The Principal Office of the Trustee is located at One M&T Plaza, 8th Floor, Buffalo, New York 14203-2391.

UNDERWRITING

DEPFA First Albany Securities LLC, the Underwriter, has agreed, subject to the terms and provisions of the Bond Purchase Agreement, dated January 29, 2008, by and among DEPFA First Albany Securities LLC, the Issuer and the Institution to purchase the Bonds from the Issuer at an aggregate purchase price of \$5,700,000. Simultaneously with the delivery of the Bonds, the Underwriter will be paid an underwriting fee of \$28,500.

The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions set forth in the Bond Purchase Agreement; provided, however that the Underwriter is obligated to purchase all of the Bonds if any are purchased.

NO CONTINUING DISCLOSURE

While the Bonds bear interest at the Variable Interest Rate, they are not subject to Securities and Exchange Commission Rule 15c2-12 (the "Rule") so long as each Bond is in a minimum denomination of \$100,000 or more and may, at the option of the holder thereof be tendered to a designated agent for redemption or purchase at par value at least as frequently as every nine months. Accordingly, neither the Issuer nor the Institution is obligated to comply with the Rule's continuing disclosure requirements, and the Bonds will accordingly not be subject to the Rule at the time of original issuance. The Institution has agreed to provide the Letter of Credit Bank with copies of its annual financial statements. Upon conversion of the Bonds to bear interest at the Fixed Interest Rate or failure to satisfy the above-mentioned requirements as to maturity and minimum amount, the Bonds will be subject to the Rule and it shall be a condition to the Conversion that the Institution enter into an agreement pursuant to which it agrees to comply with the Rule's continuing disclosure requirements.

TAX MATTERS

The following is a general discussion of certain Federal income tax consequences of the purchase, ownership and disposition of the Bonds. It does not purport to deal with Federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. Bondholders should consult their own tax advisors in determining the Federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Bonds.

Series 2008A Bonds

In the opinion of Bond Counsel, under existing law and assuming compliance by the Issuer and the Institution with certain covenants and the accuracy and completeness of certain representations of the Issuer and the Institution, interest on the Series 2008A Bonds is excludable

from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2008A Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Corporate purchasers of the Series 2008A Bonds should consult their tax advisers concerning the computation of any alternative minimum tax.

The Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), imposes various requirements that must be met in order that interest on the Series 2008A Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2008A Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Series 2008A Bonds to be includable in gross income for purposes of federal income tax retroactive to the date of original execution and delivery of the Series 2008A Bonds, regardless of the date on which the event causing such inclusion occurs. The Issuer and the Institution have covenanted in the Indenture, the Installment Sale Agreement and the Tax Compliance Agreement to comply with the requirements of the Code and have made representations in such documents addressing various matters relating to the requirements of the Code. The opinion of Bond Counsel assumes continuing compliance with such covenants as well as the accuracy of such representations made by the Issuer and the Institution.

Certain requirements and procedures contained or referred to in the Indenture, the Installment Sale Agreement, the Tax Compliance Agreement 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 Bond Counsel. The opinion of Hiscock & Barclay, LLP states that such firm, as Bond Counsel, expresses no opinion as to any Series 2008A Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of Bond Counsel other than Hiscock & Barclay, LLP.

Prospective purchasers of the Series 2008A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2008A Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, insurance companies, Subchapter S Corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2008A Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Interest paid on obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. Although information reporting does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes payment of interest on the Series 2008A Bonds to be subject to backup withholding. Interest on the Series 2008A Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the Internal Revenue Service, or (ii) has been identified by the Internal Revenue

Service as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the Internal Revenue Service as federal income tax withheld on behalf of the registered owner of the Series 2008A Bonds and will be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2008A Bonds, if other than the registered owner).

In the opinion of Bond Counsel, interest on the Series 2008A Bonds is exempt, under existing statutes, from personal income taxes of the State of New York and its political subdivisions, (including The City of New York and the City of Yonkers). See "Appendix F - Form of Approving Opinion of Bond Counsel".

On May 21, 2007 the United States Supreme Court agreed to review *Davis v. Dep't of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), cert. granted 2007 U.S. LEXIS 5914 (May 21, 2007), in which the Kentucky Court of Appeals held that provisions of Kentucky tax law that provide more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. New York tax law also affords more favorable tax treatment to holders of bonds issued by the State of New York and its political subdivisions, including the Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court were to affirm the holding of the Kentucky appellate court, subsequent New York judicial decisions or legislation designed to ensure the constitutionality of New York tax law could, among other alternatives, adversely affect the New York State and local tax exemption of outstanding bonds, including the Bonds, to the extent constitutionally permissible, or result in the exemption from New York State and local income tax of interest on certain bonds issued by other states and their political subdivisions, either of which actions could affect the market price or marketability of the Bonds. Either action could adversely affect the market price or marketability of the Bonds.

Bond Counsel's engagement with respect to the Series 2008A Bonds ends with the issuance of the Series 2008A Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the Bondholders regarding the status of the Series 2008A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and its appointed counsel, including the Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008A Bonds, and may cause Issuer or the Bondholders to incur significant expense.

Series 2008B Bonds

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2008B Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2008B Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their

individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Series 2008B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2008B Bonds.

Generally. In the opinion of Bond Counsel, interest on the Series 2008B Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Series 2008B Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Series 2008B Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2008B Bonds issued with original issue discount (“Discount Series 2008B Bonds”). A Series 2008B Bond will be treated as having been issued at an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 2008B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2008B Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Series 2008B Bond’s “stated redemption price at maturity” is the total of all payments provided by the Series 2008B Bond that are not payments of “qualified stated interest.” Generally, the term “qualified stated interest” includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series 208B Bond is the sum of the “daily portions” of original issue discount with respect to such Series 2008B Bond for each day during the taxable year in which such holder held such Series 2008B Bond. The daily portion of original issue discount on any Discount Series 2008B Bond is determined by allocating to each day in any “accrual period” a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Series 2008B Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Series 2008B Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount Series 2008B Bond at the beginning of any accrual period is the sum of

the issue price of the Discount Series 2008B Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Series 2008B Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Series 2008B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount. Any owner who purchases a Series 2008B Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2008B Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Series 2008B Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Series 2008B Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2008B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2008B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2008B Bond for the days during the taxable year on which the owner held the Series 2008B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2008B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Bond Premium. A purchaser of a Series 2008B Bond who purchases such Series 2008B Bond at a cost greater than its then principal amount (or, in the case of a Series 2008B Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Different rules apply to Discount Bonds that are acquired with "acquisition premium" (that is, at a price generally in excess of the Bond's adjusted issue price). Purchasers of any Series 2008B Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2008B Bonds.

Sale or Redemption of Series 2008B Bonds. A bondholder's tax basis for a Series 2008B Bond is the price such owner pays for the Series 2008B Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2008B Bond, measured by the difference between the amount realized and the Series 2008B Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2008B Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of the Series 2008B Bonds may result in a deemed sale or exchange of such Series 2008B Bonds under certain circumstances and which would result in the owners recognizing taxable gain or loss. Owners of the Series 2008B Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

Backup Withholding. A bondholder (other than certain foreign persons and "exempt recipients," including a corporation and certain other persons who, when required, demonstrate their exempt status) will generally be subject to applicable information reporting requirements with respect to, and may be subject to backup withholding at the applicable statutory rate on, payments of principal of, and premium, if any, and interest on, the Series 2008B Bonds, and to proceeds from the sale, exchange or retirement of the Series 2008B Bonds. Backup withholding will apply to a bondholder only if such holder fails to furnish a correct taxpayer identification number or certification of exempt status, or has been identified by the Internal Revenue Service as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the Internal Revenue Service as federal income tax withheld on behalf of the registered owner of the Series 2008B Bonds and will be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2008B Bonds, if other than the registered owner).

Information reporting and backup withholding generally do not apply to payments of interest to a nonresidents of the United States, if such person certifies its nonresident status, provided the payor does not have actual knowledge that the holder is a United States person. To certify its nonresident status, a nonresident may provide an IRS Form W-8BEN (or appropriate substitute form) to the Trustee. If a nonresident bondholder holds the Series 2008B Bonds through a financial institution or other agent acting on the bondholder's behalf, the nonresident bondholder will be required to provide appropriate documentation to the financial institution or agent. The financial

institution or agent will then be required to provide certification to the Bond Trustee or its paying agent, either directly or through other intermediaries. If a nonresident bondholder is engaged in a United States trade or business, it would be required to provide to the Bond Trustee a properly executed IRS Form W-8ECI (or appropriate substitute form) in lieu of the certification of nonresident status to avoid withholding tax. Any backup withholding tax generally will be allowed as a credit or refund against the nonresident bondholder's United States federal income tax liability, provided that the required information is timely furnished to the IRS.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2008B Bonds will be reported to the bondholders and to the Internal Revenue Service.

Nonresident Bondholders. Under the Code, interest and original issue discount income with respect to Series 2008B Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the Issuer (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2008B Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondholder, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA. The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2008B Bonds.

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Series 2008B Bonds.

State Taxes. Bond Counsel is also of the opinion that, under existing statutes, interest on the Series 2008B Bonds is excluded from income for purposes of income taxes imposed by New York State and its political subdivisions (including The City of New York and the city of Yonkers). See "Appendix F - Form of Approving Opinion of Bond Counsel". The United States Supreme Court agreed to review *Davis v. Dep't of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), cert. granted 2007 U.S. LEXIS 5914 (May 21, 2007), favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. Please refer to the discussion of "State Taxes" with respect to the Series 2008A Bonds for a discussion of the impact which the Supreme Court's decision in *Davis* may have on the exclusion from income of interest on the Bonds for purposes of income taxes imposed by New York State and its political subdivisions (including The City of New York and the city of Yonkers).

RATING

The Bonds have been rated "A1"/"VMIG1" by Moody's Investors Service, Inc. ("Moody's"). Such rating reflects only the views of such rating agency and any explanation of the significance of such rating must be obtained from Moody's at 7 World Trade Center, New York, New York. The rating on the Bonds is based solely on the credit of the Bank. There is no assurance that such rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. The Agency and the Underwriter undertake no responsibility either to bring to the attention of the owners of the Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal.

LEGAL MATTERS

Legal matters incident to the authorization and validity of the Bonds are subject to the approving opinion of Hiscock & Barclay, LLP, Albany, New York, Bond Counsel. Bond Counsel's approving opinion will be available at the time of delivery of the Bonds. The proposed form of such opinion is included in Appendix F hereto.

Certain legal matters will be passed on for the Institution by its counsel, Hodgson Russ LLP, Albany, New York; for the Underwriter, by its counsel, Harris Beach PLLC, New York, New York; for the Letter of Credit Bank by its counsel, Lemery Greisler LLC, Albany, New York; for the Trustee by its counsel, Bond, Schoeneck and King, PLLC, Syracuse, New York; and for the Issuer by its counsel, Hiscock & Barclay, LLP, Albany, New York.

LITIGATION

The Issuer

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale thereof, or questioning or affecting the validity of the pledge or application of any monies, revenues or security provided for the payment of the Bonds or the existence or powers of the Issuer. Neither the creation, organization or existence of the Issuer, nor the title of the present directors or other officials of the Issuer to their respective offices, are being contested.

The Institution

There is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way affecting the validity of the Bonds or any proceedings of the Institution taken with respect to the Bond Documents, or questioning or affecting the validity of the pledge or application of any monies, revenues or security provided for the payment of the Bonds, nor is there any pending or threatened litigation that (i) in any manner questions the right of the Institution to enter into the Bond Documents to which it is a party or the

other instruments and agreements to be entered into in connection therewith, (ii) could otherwise reasonably be expected to have a material adverse effect upon the business, operations or properties of the Institution, or (iii) prevents the Institution from consummating the transactions contemplated thereby.

FINANCIAL STATEMENTS

The financial statements of the Institution as of June 30, 2007 and 2006, and for each of the years then ended, included in Appendix B hereto have been audited by Marvin and Institution, independent accountants, as stated in their reports appearing in Appendix B.

MISCELLANEOUS

Brief descriptions of the Issuer, the Institution, the Letter of Credit Bank and the Project, and certain provisions of the Bonds, the Indenture, certain Bond Documents, the Letters of Credit and the Reimbursement Agreement are included herein or in the Appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All such descriptions are qualified in their entirety by reference to each such instrument or document and the description of the Bonds is qualified by reference to the terms thereof.

The information set forth herein and in the Appendices hereto (including the information incorporated therein by reference) has been furnished by the Institution, the Issuer, the Letter of Credit Bank and other sources which are believed by the Underwriter to be reliable, and while not guaranteed as to accuracy or completeness, is believed to be correct in all material respects as of its date. Any statements involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. This Official Statement is not intended to be construed as a contract or agreement between the Issuer and the purchasers or Holders of any of the Bonds.

Certain information regarding the Project and the Institution has been furnished by the Institution and appears herein under the captions "THE INSTITUTION AND THE PROJECT", "ESTIMATED SOURCES AND USES OF FUNDS" and "LITIGATION – The Institution". Neither the Issuer nor the Underwriter makes any representation or warranty with respect to the accuracy or completeness of such information.

Manufacturers and Traders Trust Company is serving as the Trustee and Tender Agent for the Bonds, as the Letter of Credit Bank, and as the counterparty for the swap to be entered into by the Institution on the date of delivery of the Bonds.

The distribution of this Official Statement to prospective purchasers of the Bonds by the Underwriter has been duly authorized by the Issuer and the Institution. This Official Statement is made available only in connection with the sale of the Bonds and may not be used in whole or in part for any other purpose.

This Official Statement has been duly authorized and delivered by the Issuer and the Institution.

**CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY**

By: /s/Jayne B. Lahut
Executive Director

UNION GRADUATE COLLEGE

By: /s/ Joseph M. McDonald, CPA
Vice President of Finance

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APPENDIX A

THE INSTITUTION AND THE PROJECT

UNION GRADUATE COLLEGE

INTRODUCTION

Union Graduate College (and sometimes hereinafter referred to as “the College”) was chartered in July of 2003 and is a co-educational, independent graduate college. Prior to obtaining its own charter and the receipt of accreditation as of April 30, 2004, the College was part of Union College. The creation of the College was the result of Union College’s decision to remain solely a four-year liberal arts school. Union College’s graduate program thus became a separate legal and financial entity from Union College. In May 2006, Union Graduate College received approval from the New York State Department of Education to change its name from Graduate College of Union University to Union Graduate College.

DEGREE AND PROGRAM OFFERINGS

Union Graduate College is committed to providing professional masters-level degree programs and limited continuing education offerings that meet the educational needs of New York’s Capital Region. The College offers degrees in four areas: Management, Education, Engineering, and Bioethics. Most of the courses are taught on-site, however the Bioethics program, which is a joint program with Mount Sinai School of Medicine in New York City, is taught primarily on-line with the exception of three on-site courses at the College in the summer.

Union Graduate College has approximately 600 active students; approximately 50% of whom are full-time. While the majority of the College’s students are from the Capital District, its diverse student body includes both national and international representation.

Union University

Union Graduate College is part of Union University, an association of independent institutions. Other members are Albany Medical College, Albany Law School, Dudley Observatory, Albany College of Pharmacy, and Union College. Each institution has its own governing board and is responsible for its own programs.

Several joint programs are offered by the institutions of Union University. The Leadership in Medicine program, offered jointly with Albany Medical College and Union College, gives students the opportunity to earn a bachelor’s degree, a master of science in health management or a master of business administration in health systems administration and a medical degree in eight years (B.S./M.S. or M.B.A./M.D.). Five-year combined degree programs are offered in which a student may earn a bachelor of arts or bachelor of science from Union College and a master of business

administration from Union Graduate College or a bachelor of arts or bachelor of science from Union College and a master of arts in teaching from Union Graduate College (B.A. or B.S./M.B.A. or B.A. or B.S./M.A.T.); and five-year programs in mechanical engineering, electrical engineering, and computer science, also combining a Union College degree with a degree from Union Graduate College.

The joint J.D./M.B.A. with Albany Law School is a cooperative agreement that allows the students enrolled in both programs to apply courses taken in both institutions to their degrees. This joint degree program enables the students to complete both the J.D. and the M.B.A. within a four year time frame, a reduction of one year from the norm.

The joint Pharmacy/M.S. or M.B.A. with Albany College of Pharmacy allows students to complete a M.S.-Clinical Leadership in Healthcare Management or a M.B.A. in Healthcare Management on a part-time basis while still enrolled at their home institution. This joint program significantly reduces the time needed to receive the M.B.A. or M.S.

FACILITIES

The College currently resides on the campus of Union College. Its faculty and staff occupy a 10,000 square foot building, and utilizes Union College's classrooms. Once the Project is complete, Union Graduate College will move its faculty and administrative offices, as well as Student Registration, admissions and financial aid to the new facility. There will be two classrooms and a computer lab in the new facility, and Union Graduate College will continue to use Union College classrooms for a majority of classes.

ACCREDITATION

The College and its programs are accredited by the following organizations:

- The Board of Regents of the University of the State of New York
- The Middle States Association of Colleges and Universities
- The Association to Advance Collegiate Schools of Business (AACSB)
- The Commission on Accreditation of Healthcare Management Education (CAHME)
- Teacher Education Accreditation Council (TEAC)

GOVERNANCE

The bylaws of the College state that the Board shall consist of not less than five (5) nor more than twenty-five (25) Trustees. No person under the age of eighteen (18) shall be eligible to serve as a Trustee. No Trustee shall receive any compensation for serving as such. Each Trustee shall serve from the close of the Annual Meeting at which he/she shall be appointed or elected until the close of the Annual Meeting held in the fourth calendar year next following and until his/her successor shall be appointed or elected and qualified. With the exception of the ex officio Trustees, no Trustee may serve for more than three (3) successive terms, and no Trustee may again be appointed or elected as a Trustee.

<u>Name</u>	<u>Profession</u>	<u>Term Expires</u>
Lewis Golub	Chairman, Golub Corporation	2 nd term expires 2011
Mark Walsh	Managing Partner, Ruxton Associates, LLC	2 nd term expires 2011
William J. Curtin	Curtin Financial Management, Inc.	2 nd term expires 2011
David J. Breazzano	Principal, DDJ Capital Management, LLC	1 st Term expires 2010
Thomas E. Hitchcock	Principal, Partners Financial-Cambridge	2 nd term expires 2011
Jim Taylor	Chairman, Taylor Made Group, Inc.	2 nd term expires 2011
Mike Newell	Marketing Consultant	2 nd term expires 2011
Frank Messa	Retired (The Ayco Company, LP)	1 st Term expires 2010
Stephen Ainlay	President of Union College	Ex-Officio

MANAGEMENT

The Board of Trustees governs under the by-laws of the College and holds primary responsibility for defining and supporting the mission of the College. In cooperation with the governing policies approved by the Board of Trustees, the Interim President, John W. Huppertz Ph.D., is responsible for implementing Board policies in consultation with the members of the Leadership Team. A brief profile of the Interim President and his Chief Administrators follows:

- *Dr John W Huppertz, Interim President.* In 2007, Dr. Huppertz assumed the role of Interim President when President Susan Lehrman, Ph.D., founding President of Union Graduate College, announced she would be resigning to take a new position in higher education. Dr. Huppertz earned his master's and Ph.D. degrees from Syracuse University and has been at the College as Associate Professor of Marketing in the School of Management since 2004. He came to the College with over 25 years of marketing and management experience at Eric Mower and Associates, a marketing communications firm, where he rose to managing partner, marketing and research services. He has published articles in *Journal of Marketing Research*, *Journal of Retailing*, *Health Marketing Quarterly*, *Marketing Research*, *Journal of Consumer Marketing*, and others.
- *Joanne Fitzgerald, M.B.A., Vice President Enrollment Management.* In April 2005, Ms. Fitzgerald assumed the role of Vice President Enrollment Management. Prior to this assignment, she served as Associate Dean, School of Management (January 2003-

April 2005) and as a Researcher/Principal Investigator on a series of grants with the New York State Department of Health, AIDS Institute (September 2000-March 2007). Before joining the College, Ms. Fitzgerald served as Eastern Regional Sales Manager for a medical manufacturing company and as an independent consultant focused on organizational development projects for healthcare organizations. Ms. Fitzgerald holds a B.S. in Nursing from University of Delaware and an M.B.A. in Healthcare Management from Union College.

- *Joseph M McDonald, M.B.A., C.P.A., Vice President Finance*, was appointed to this position in Fall 2005. He holds a B.S. in Accounting from State University of New York at Albany, and an M.B.A. from Union Graduate College. He is also a certified public accountant. Prior to joining Union Graduate College, he served as Comptroller at Albany College of Pharmacy for twelve years, and as Vice President and Chief Financial Officer for Albany Local Development Corporation, which is the economic development arm of the City of Albany.

OPERATING INFORMATION

Management Discussion of Enrollment Trends

As mentioned in the introduction, Union Graduate College was created by Union College and received its initial accreditation on April 30, 2004. Prior to that, the College operated as a department within Union College, and as such was “branded” as Union College’s graduate program. When it separated from Union College, it was given the name “The Graduate College of Union University.” With inadequate resources to build a new “brand”, the market responded negatively to the disconnection from the Union College “brand” when recruiting for the class entering in fiscal year 2004-05. The new name presented recruiting/marketing challenges within the Capital Region and beyond.

While the College was operating as part of Union College, there was little concerted effort to grow graduate enrollments, as Union College strategic plan called for the institution to focus on its undergraduate program; hence overall enrollment growth was relatively flat through the 2001-02 academic year. In 2002-03, enrollment growth increased dramatically, mostly in the M.B.A. and M.A.T. programs. Enrollment growth in the M.B.A. program was attributed to achieving AACSB accreditation in 2001. M.B.A. enrollment continued the upward trend the following year and M.A.T. enrollment dropped slightly. The 2002-03 surge in M.B.A. enrollment mirrored a national trend that was reported by the Graduate Management Admission Council. In academic year 2004-05, the College’s M.B.A. program experienced a decline in enrollment, which again mirrored the larger trend with a nation-wide decrease in applications to M.B.A. programs. This national M.B.A. enrollment decline, coupled with the branding issues that arose from changing the name to Graduate College of Union University, aggravated the enrollment problem for the College.

In response to the enrollment decline, the College replaced the Vice President for Enrollment Management in April 2005. The new Vice President engaged the services of a nationally recognized branding firm that specializes in higher education. The consultants strongly recommended rebranding the College to leverage its Union College roots. As a result, the College entered into a license agreement with Union College to change its name to “Union Graduate College.” All marketing

collateral was redesigned to reflect the Union College heritage and accent the new name of the College. Additionally, the College launched a focused marketing plan and hired an additional recruiter. The result was an enrollment turnaround in 2007-08 that is expected to continue.

The table below describes the marketing funnel for full-time School of Management individuals. M.B.A. enrollment alone accounts for over 50% of total enrollment. The funnel table describes number of individuals in each category.

Full-Time M.B.A. (School of Management)

<u>Academic Year</u>	<u># Applications</u>	<u># Admitted</u>	<u># Deposited</u>
2002-03	109	72	61
2003-04	116	92	73
2004-05	75	63	42
2005-06	82	51	43
2006-07	67	53	42
2007-08	107	75	58

Note: The 2008-09 funnel figures are slightly ahead of year-to-date figures for 2007-08.

For budgeting purposes, the College counts enrollments differently than most undergraduate institutions. Most undergraduate institutions count one enrollment as one enrolled student in an academic year, regardless of how many courses the student takes. Since Union Graduate College has a mix of full-time and part-time students, it considers one enrollment to be equal to one student in one course. For example, a full-time student may take nine courses in an academic year. This student contributes nine enrollments toward the enrollment target.

The table below describes total College-wide enrollment history since academic year 2000-01.

<u>Academic Year</u>	<u># of Enrollments</u>
2000-01	1611
2001-02	1590
2002-03	1905
2003-04	2274
2004-05	2066
2005-06	2004
2006-07	1981*
2007-08	2155**

* 2006-07: M.B.A. enrollment was up from 2005-06, however M.A.T. enrollment decreased slightly. As a result, College wide enrollment is down slightly from the previous year.

** Projected

Through diligent marketing research and application of a strong marketing/branding strategy, enrollment has turned the corner and is expected to continue the upward trend. A particular channel targeted for growth is joint degree programs with Union University partner schools, Albany College

of Pharmacy (ACP) and Albany Law School (ALS). Union Graduate College now offers a PharmD/M.B.A. with ACP and a J.D./M.B.A. with ALS. These schools have embraced a partnering strategy and are actively recruiting students to their schools by offering these joint programs, and Union Graduate College has seen a significant increase in enrollment from these schools. For example, the College typically enrolls 4-5 students each year in the J.D./M.B.A. program and in this academic year has enrolled 12 J.D./M.B.A. students.

In summary, although the initial separation from Union College was difficult, the College has implemented an effective plan that is already showing positive results that are expected to continue.

Tuition and Fees

Student Charges (Tuition Per Course)

<u>Fall</u>	<u>M.B.A.</u>	<u>Bio-Ethics</u>	<u>Education</u>	<u>Engineering</u>
2003	\$1,800	\$2,100	\$1,450	\$2,140
2004	\$1,920	\$2,240	\$1,525	\$2,250
2005	\$2,075	\$2,420	\$1,650	\$2,430
2006	\$2,200	\$2,485	\$1,750	\$2,500
2007	\$2,300	\$2,485	\$1,850	\$2,500

Financial Aid and Scholarships

SOURCES OF SCHOLARSHIP AND GRANT AID

<u>Academic Year</u>	<u>Total Tuition</u>	<u>Student Grants from Unrestricted Institutional Funds</u>	<u>Tuition Discount</u>
2004-2005	\$4,661,039	\$753,180	16.1%
2005-2006	\$4,900,184	\$486,843	9.9%
2006-2007	\$5,129,864	\$508,457	9.9%

Because governmental and external sources for financial aid are limited for graduate education, almost all financial aid provided to students is funded by the College. Most financial aid is awarded based on merit, although some financial aid is awarded based on need and other criteria.

Faculty

The College currently employs 46 faculty members. This number includes 8 full-time faculty and 38 part-time instructors. Currently, 50% of the total full-time faculty are tenured.

Employee Relations

The College does not have any collective bargaining contracts.

Pension and Post-Retirement Benefits

The College has a non-contributory retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities and Fidelity Investments, which provides for purchases of annuities for all of its faculty members and non-academic employees. The College's policy is to fund pension costs as accrued.

Litigation

The College is not aware of any pending or threatened litigation that may have a significant impact on its financial position or changes in net assets.

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APPENDIX B

FINANCIAL STATEMENTS OF THE INSTITUTION

ANNUAL FINANCIAL STATEMENT INFORMATION

Financial Reporting

The College's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The College follows the guidance of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

Under SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the College pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that the College must maintain them in perpetuity. Generally, the donors of these assets permit the College to use all or part of the income earned on the related investments for scholarships.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless its use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Summary of Financial Information

Marvin and Company has been the College's independent accounting firm since 2005. The financial statements as of June 30, 2007, included in this Official Statement, have been audited by Marvin and Company, as stated in their report appearing herein.

The tables describing various financial information relating to the College in this Appendix A have been prepared and reviewed by the College. The financial information in the tables was derived from, and should be read in conjunction with the College's audited financial statements. Complete copies of the audited financial statements dated June 30, 2007 are included in Appendix B to this Official Statement.

The following table summarizes the unrestricted activities of the College for the last three years:

STATEMENTS OF UNRESTRICTED ACTIVITIES

Fiscal Year Ended June 30
(in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Changes in unrestricted net assets:			
Revenue and Gains:			
Tuition and Fees	\$4,661	\$4,900	\$5,130
Less Scholarships	753	501	508
Net tuition and fees	<u>\$3,908</u>	<u>\$4,399</u>	<u>\$4,621</u>
Government Grants and contracts	\$ 768	\$1,259	\$ 551
Contributions	109	101	136
Continuing Education	108	83	50
Interest and Dividends	20	90	117
Net unrealized and realized gain (loss) on investments	39	4	67
Other sources	24	4	2
Total Revenues and Gains	<u>\$4,976</u>	<u>\$5,114</u>	<u>\$5,484</u>
Net assets released from restrictions	51	63	38
Total revenues, gains and other support	<u>\$5,027</u>	<u>\$5,177</u>	<u>\$5,522</u>
Expenses:			
Instruction	\$2,465	\$2,533	\$2,528
Academic support	334	483	494
Student service	681	549	734
Institutional support	1,007	1,073	1,037
Research	795	496	511
Total expenses	<u>\$5,282</u>	<u>\$5,134</u>	<u>\$5,304</u>
Changes in Net Assets Before Effect of Adoption of FASB Statement No. 158	(255)	43	218
Effect of Adoption of Recognition Provisions of FASB Statement No. 158	-	-	(105)
Increase in unrestricted net assets	<u><u>(\$255)</u></u>	<u><u>\$ 43</u></u>	<u><u>\$ 113</u></u>

Management Discussion of Recent Financial Performance

Total revenue, gains and other support have increased approximately 10% from 2005 to 2007. This increase is primarily attributable to the increases in full-time enrollments and tuition rates that helped the College to achieve an 18% increase in net tuition revenue between fiscal years 2005 and 2007. In addition, non-program revenues like contributions and interest income have increased 17% as the College expands in fund-raising efforts and its financial base.

Expenditures have risen less than 1% from fiscal years 2005 to 2007. Research spending has decreased 35% as some research grants have been completed in the last few fiscal years. In addition the College has introduced a new financial reporting system that assists the Dean's and Department Heads in monitoring revenues and expenses and therefore controls spending.

Budget

The Board of Trustees has approved a budget for fiscal year ended June 30, 2008 that anticipates \$5.5 million in revenue and expenses.

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Statement of Financial Position
(Fiscal Year Ended June 30)
(in thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
ASSETS:				
Cash and Cash Equivalents	\$1,196	\$ 849	\$ 802	\$ 919
Investments	705	631	717	846
Total Cash & Investments	1901	1480	1519	1765
Student Accounts Receivable, Net	360	367	288	505
Prepaid Expenses and Other Receivables	16	40	82	20
Grants Receivable	115	257	123	151
Other accounts receivable	16		30	58
Land, Buildings and Equipment, Net	90	48	9	13
Total Assets	\$2,498	\$2,192	\$2,051	\$2,512
LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 591	\$ 434	\$326	\$ 401
Deferred Revenue and Deposits	517	636	577	712
Accrued postretirement benefit obligation	9	45	63	200
Total Liabilities	\$1,117	\$1,115	\$ 966	\$1,313
NET ASSETS:				
Unrestricted	\$ 483	\$ 171	\$ 189	\$ 214
Unrestricted-Quasi Endowment	242	299	323	411
Temporarily Restricted	194	145	110	79
Permanently Restricted	462	462	463	495
Total Net Assets	\$1,381	\$1,077	\$1,085	\$1,199
 Total Liabilities and Net Assets	 \$2,498	 \$2,192	 \$2,051	 \$2,512

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the donation.

The College recognizes pledges as their estimated fair market value. Fair value is determined by calculating the present value of the estimated future cash flows, net of an allowance for uncollectable pledges.

The following table presents amounts recognized as contributions to the College over the past five years:

Contributions			
(Fiscal Year Ended June 30)			
(in thousands)			
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Unrestricted	\$109	\$101	\$136
Temporarily Restricted	2	28	6
Permanently Restricted			32
Total	<u>\$111</u>	<u>\$129</u>	<u>\$174</u>

Unrestricted contributions consist primarily of Annual Fund contributions and gifts-in-kind.

Temporarily Restricted contributions consisted primarily of funds pledged for the construction of the Center for Health Science. Construction was completed in September 2006.

Permanently Restricted contributions are restricted by the donor to be maintained permanently by the College. The investment return on these funds is used, in accordance with donor wishes, to fund scholarships and support instructional activities.

In addition, the College has successfully secured the following governmental and private grants in support of its building project and operations:

<u>Amount</u>	<u>Source</u>	<u>Use of Funds</u>
\$2,000,000	Anonymous Donor-\$400,000 per year for 5 years, beginning at groundbreaking	Unrestricted
\$1,000,000	Empire Opportunity Fund	Building Project
\$1,000,000	Senator Farley	Building Project
\$198,000	Senator Schumer	Building Project
\$182,000	NYS-CICU Program	Building Project
\$75,000	Schenectady Foundation	Building Project
<u>\$4,455,000</u>	<u>Total Awarded</u>	

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APPENDIX C

IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

IRREVOCABLE DIRECT PAY LETTER OF CREDIT

ISSUING BANK: MANUFACTURERS AND TRADERS TRUST COMPANY
TRADE SERVICES
ONE FOUNTAIN PLAZA - 2nd FLOOR
BUFFALO, NEW YORK 14203-1495

ISSUE DATE: JANUARY 30, 2008

BENEFICIARY: MANUFACTURERS AND
TRADERS TRUST COMPANY AS
TRUSTEE UNDER THE
INDENTURE OF TRUST DATED
AS OF JANUARY 1, 2008 WITH
CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT
AGENCY

RE: BONDS: CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT
AGENCY TAX-EXEMPT
VARIABLE RATE DEMAND CIVIC
FACILITY REVENUE BONDS,
(UNION GRADUATE COLLEGE
PROJECT-LETTER OF CREDIT
SECURED), SERIES 2008A

APPLICANT: UNION GRADUATE COLLEGE
807 UNION STREET
SCHENECTADY, NEW YORK 12308

**STATED EXPIRATION
DATE AT M&T BANK:** JANUARY 30, 2013

**MAXIMUM STATED
AMOUNT:** \$5,725,129.00

**PRINCIPAL
COMPONENT:** \$5,660,000.00

**INTEREST
COMPONENT:** \$65,129.00

IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

IRREVOCABLE DIRECT PAY LETTER OF CREDIT

ISSUING BANK: MANUFACTURERS AND TRADERS TRUST COMPANY
TRADE SERVICES
ONE FOUNTAIN PLAZA - 2nd FLOOR
BUFFALO, NEW YORK 14203-1495

ISSUE DATE: JANUARY 30, 2008

BENEFICIARY: MANUFACTURERS AND
TRADERS TRUST COMPANY AS
TRUSTEE UNDER THE
INDENTURE OF TRUST DATED
AS OF JANUARY 1, 2008 WITH
CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT
AGENCY

RE: BONDS: CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT
AGENCY TAX-EXEMPT
VARIABLE RATE DEMAND CIVIC
FACILITY REVENUE BONDS,
(UNION GRADUATE COLLEGE
PROJECT-LETTER OF CREDIT
SECURED), SERIES 2008B

APPLICANT: UNION GRADUATE COLLEGE
807 UNION STREET
SCHENECTADY, NEW YORK 12308

**STATED EXPIRATION
DATE AT M&T BANK:** JANUARY 30, 2009

**MAXIMUM STATED
AMOUNT:** \$40,461.00

**PRINCIPAL
COMPONENT:** \$40,000.00

**INTEREST
COMPONENT:** \$461.00

Manufacturers and Traders Trust Company ("M&T Bank" or the "Bank") hereby issues this Irrevocable Direct Pay Letter of Credit (the "Credit") for the account of Union Graduate College of Union University, a not for profit corporation organized and existing under the laws of the State of New York (the "Applicant") in favor of Manufacturers and Traders Trust Company as trustee (the "Trustee") acting for the benefit of the bondholders under the Indenture of Trust dated as of January 1, 2008 between City of Schenectady Industrial Development Agency (the "Issuer") and the Trustee concerning the Bonds identified above (the "Indenture").

Amount: The credit is available upon issuance in an aggregate amount not to exceed _____ AND 00/100 DOLLARS (\$ _____) (as from time to time reduced and reinstated as provided in this Credit, the "Maximum Stated Amount"), of which no more than \$ _____ (as from time to time reduced and reinstated as provided in this Credit, the "Principal Component") shall be available to pay principal of the Bonds or the portion of the purchase price for the Bonds attributable to principal and no more than \$ _____ (as from time to time reduced as provided in this Credit, the "Interest Component") shall be available to pay interest on the Bonds or the portion of the purchase price of the Bonds attributable to interest. The Interest Component represents _____ (_____) days' interest at an assumed fixed rate of _____ % calculated on the basis of the actual number of days elapsed over a 365/366 day year. The amount of the Principal Component or the Interest Component which may be drawn shall not exceed the outstanding principal amount of the Bonds or the actual interest accrued on the Bonds.

Requisites for Drawing: M&T Bank hereby agrees with the Beneficiary that drawings under and in compliance with the terms of this Credit ("Drawings") shall be duly honored by M&T Bank with its own monies, not monies of the Applicant, upon presentation in the form and by the means provided below on a Business Day on or before the Expiration Date. A "Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which the commercial banks in New York, New York or the city or cities in which the office of the Trustee, or M&T Bank with offices located at One Fountain Plaza, 2nd Floor, Buffalo, New York 14203-1495, are authorized by law or executive order to close, or (iii) a day on which the New York Stock Exchange is closed. Drawings shall be paid and immediately available in United States Funds.

Requests for drawings under the credit shall be documented by:

1. The Beneficiary's certificate in the form of Annex A on Beneficiary's letterhead bearing the clause "Drawn under M&T Irrevocable Direct Pay Letter of Credit Number _____", stating the amount and purpose of the drawing, and purportedly executed on behalf of Beneficiary; and
2. For any drawing which exhausts the Maximum Stated Amount of this Letter of Credit, the original of this Credit.

Each drawing honored shall pro tanto automatically reduce the Maximum Stated Amount and, to the extent allocable, the Principal Component and the Interest Component; Drawings may not in the aggregate exceed the Maximum Stated Amount; Drawings to pay interest on the Bonds may not

exceed the Interest Component; Drawings to pay principal on the Bonds may not exceed the Principal Component; and Drawings to pay the purchase price of the Bonds may not in the aggregate exceed the Principal Component and the Interest Component.

Drawings to pay scheduled interest payments on the Bonds pursuant to Section 5.06 of the Indenture, shall take the form of Annex A (an "Interest Drawing") and the amount drawn, together with all amounts drawn with respect to interest in connection with other Drawings of the same date, may not exceed the Interest Component outstanding at the time of the Drawing as reinstated or reduced from time to time. Drawings to pay scheduled principal and interest on the Bonds, optional or mandatory redemption of the Bonds, or acceleration of the Bonds, all pursuant to Section 5.19 of the Indenture, shall take the form of Annex B (a "Principal and Interest Drawing"). Drawings to pay the principal and interest portions of the purchase price of the Bonds in connection with the purchase of Bonds at the bondholder's option pursuant to Section 5.11 (c) of the Indenture or upon mandatory tender of Bonds pursuant to Section 5.11 (c) of the Indenture shall take the form of Annex C (a "Purchase Drawing"). The portions drawn with respect to the principal and interest, respectively, together with all amounts drawn with respect to principal and interest in other Drawings of the same date, may not exceed the Principal Component and Interest Component, respectively, outstanding at the time of the Drawing as reinstated or reduced from time to time.

M&T Bank shall have no duty to verify the correctness or completeness of any certificate or instructions delivered to M&T Bank by the Trustee, but rather may rely without question on any Trustee certificate as the amount for any Drawing, reduction or reinstatement.

Timing of Payments: Drawing and other certificates and notices may be presented by means of mail or courier to:

M&T Bank
Trade Services Department
One Fountain Plaza - 2nd Floor
Buffalo, New York 14203-1495
Telephone: 716-848-3655
Telecopy: 716-848-3777

or by telecopy transmission with prior telephone notice to the Manager, Trade Services, or his or her deputy, at the above number, followed by mailing of the original executed certificates, prominently marked to indicate that the mailing confirms the Drawing or other notice previously made. Drawings to pay principal of and interest on the Bonds on each Interest Payment Date (as defined in the Indenture) upon redemption or acceleration which strictly conform to all terms and conditions of this Credit and are received by the M&T Bank Trade Services Department before 10:00 a.m. Eastern Standard Time on a Business Day will be honored before 3:00 p.m. Eastern Standard Time on the same Business Day. Conforming Drawings which are received after 10:00 a.m. Eastern Standard Time on a Business Day will be honored before 1:00 p.m. Eastern Standard Time on the next following Business Day; provided, however, that M&T Bank will honor at or before 2:00 p.m. Eastern Standard Time on the same Business Day on which it is presented conforming Drawings to pay the purchase price of Bonds tendered at the owner's option pursuant to Section 4.1 (a) of the Indenture or upon mandatory tender pursuant to Section 4.2 (a) of the Indenture and not remarketed or for which remarketing proceeds have not been received, if presented no later than 11:00 a.m.

Eastern Standard Time on a Business Day and if notice of intent to draw has been telecopied to M&T Bank on the preceding Business Day.

Payment Instructions: Drawings shall be paid by means of electronic funds transfer, provided that the Trustee shall provide complete funds transfer instructions in writing, in advance, in the form requested by M&T Bank, or on the appropriate drawing certificate. The Trustee is hereby notified that in executing such payment order, M&T Bank and all intermediary banks will rely on the accuracy of the instructions provided by the Trustee on the appropriate drawing certificate, particularly the account and routing and transit numbers provided by the Trustee, without any duty to refer to names, and have no liability for losses resulting from errors in the Trustee's instructions. The Trustee is requested to use extraordinary care in providing electronic funds transfer instructions.

Reinstatement: (a) The full amount of each Interest Drawing in the form of Annex A shall be reinstated automatically and immediately on the date which M&T honors the Interest Drawing. The Interest Drawing shall be reinstated per the terms of Annex A.

(b) Upon receipt by M&T Bank from the Trustee of a Reinstatement Certificate in the form of Annex D hereto, appropriately completed, and, provided that prior to receipt by M&T Bank of said Certificate, M&T Bank has not delivered to the Trustee a certificate that an Event of Default under that certain Reimbursement Agreement, dated as of January 1, 2008, by and between M&T Bank, and the Applicant (as amended from time to time, the "Reimbursement Agreement") has occurred, which notice directs the Trustee to accelerate payment of the Bonds or cause a mandatory tender of all of the Bonds, specified portions of both the Principal Component and the Interest Component shall be reinstated for the designated amount set forth in Annex D, which amount represents funds delivered to the Trustee in connection with the successful remarketing of certain tendered Bonds for which a Purchase Drawing in the form of Annex C has previously been honored by M&T Bank.

Expiration: This Credit shall expire on January ____, 20__ (the "Stated Expiration Date").

Notwithstanding the foregoing, this Credit shall expire on the earliest of:

1. 3:00 p.m. New York City Time on the Stated Expiration Date;
2. the date on which M&T Bank honors a Drawing which exhausts the Maximum Stated Amount without possibility of reinstatement;
3. the date on which M&T Bank Trade Services Department receives a certificate in the form of Annex E purportedly signed on behalf of the Beneficiary certifying the Beneficiary's acceptance of a Substitute Letter of Credit (as defined in the Indenture), accompanied by the original of this Credit; or, if later, the effective date specified in such certificate; and
4. the tenth (10th) Business Day following receipt of written notice by the Trustee from M&T Bank stating that an Event of Default (as defined in the Reimbursement Agreement) has occurred and is continuing and instructing the Trustee to cause an acceleration of the Bonds pursuant to Section 9.2 of

the Indenture except that such Business Day period shall be extended by the number of days (if any) the Trustee is restrained by judicial order from making a Drawing hereunder, provided that such extension shall be effective only upon receipt by M&T Bank Trade Services Department of written notice from the Trustee advising M&T bank of such restraint. Upon receipt of such notice, M&T Bank shall not honor any draws hereunder unless M&T Bank is in receipt of a written notice from the Trustee advising M&T Bank that the restraint has been lifted, which notice the Trustee shall promptly deliver to M&T Bank after the Trustee has actual knowledge that it is no longer restrained from making a draw. "Receipt" shall be deemed to occur on that date on which M&T Bank or the Trustee, as the case may be, receives back a machine printed confirmation page confirming a completed facsimile transmission of written notice sent by M&T Bank to the Trustee, or by the Trustee to M&T Bank, as the case may be, by means of facsimile transmission, with original documents delivered by overnight courier or registered mail on the same date as facsimile transmission to the party receiving the facsimile transmission.

Transfer: This Credit may be transferred only in its entirety and only to a temporary or successor Trustee duly appointed under the Indenture and subject to receipt by the Bank of the Bank's customary transfer fee. The Bank will not honor draws by a temporary or successor Trustee unless the Bank has been notified by the Trustee in writing substantially in the form of the Transfer Certificate attached as Annex F hereto.

This Letter of Credit sets forth in full the undertaking of M&T Bank, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

ALL BANKING CHARGES ARE FOR THE ACCOUNT OF THE APPLICANT.

This Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500 (the "UCP"). As to matters not governed by the UCP, this Credit is subject to the laws of New York State as in effect from time to time.

MANUFACTURERS AND TRADERS TRUST
COMPANY

By:

By:

Name: _____

Title: _____

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APPENDIX D

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE PRINCIPAL BOND DOCUMENTS DEFINITIONS OF CERTAIN TERMS

As used in this Official Statement, the following terms shall have the meanings set forth below:

“Act” means Title I of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 1030 of the Laws of 1969 of New York, as amended.

“Adjustment Date” means (A) during the Variable Interest Rate Period, the day following the Determination Date, whether or not a Business Day, and (B) the Fixed Interest Rate Conversion Date.

“Adjustment Period” means each period beginning on an Adjustment Date and ending on the day immediately preceding the immediately succeeding Adjustment Date, except that the first Adjustment Period shall be the period from and including the date of delivery of the Bonds to and including the day immediately preceding the first Adjustment Date.

“Affiliate” of any specified entity means any other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such specified entity and “control”, when used with respect to any specified entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Alternate Credit Facility” means any Substitute Letter of Credit.

“Applicable Elected Representative” means any Person constituting an applicable elected representative within the meaning given to the term in Section 147(f) of the Code.

“Applicable Laws” means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time after the date of the Indenture may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof, including, but not limited to, (A) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (B) restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (C) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

“Authorized Denomination” means during the Variable Interest Rate Period, \$100,000 plus multiples of \$5,000 in excess thereof and during the Fixed Interest Rate Period, \$5,000 plus multiples of \$5,000 in excess thereof, except that if as a result of redemption, partially redeemed Bonds cannot be authenticated in such denominations, such partially redeemed Bonds shall be authenticated in such other denominations to the extent required to effect such redemption.

“Authorized Representative” or **“Authorized Officer”** means the Persons or Persons at the time designated to act on behalf of the Issuer, the Bank or the Institution, as the case may be, by written certificate furnished to the Trustee containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice Chairman or such other Person as may be authorized by resolution of

the Issuer to act on behalf of the Issuer, (B) the Bank by a Vice President or Assistant Vice President, or such other Person as may be authorized by the board of directors of the Bank to act on behalf of the Bank, and (C) the Institution by the President or any Vice President, or such other Person as may be authorized by the President of the Institution to act on behalf of the Institution.

“Available Moneys” mean (A) any amount drawn under the Letters of Credit, (B) the proceeds of Bonds (other than refunding bonds) and accrued interest thereon, (C) any other amounts (including (i) investment earnings on any of the amounts set forth in clauses (A) and (B) above, and (ii) any installment purchase payments due under the Sale Agreement) which have been on deposit in the Bond Fund for at least 91 days prior to their payment to Bondholders (in the case of principal payments and interest thereon) or for at least 91 days prior to the giving of notice of redemption (in the case of redemption payments and accrued interest with respect thereto) during or prior to either of which 91 day period, provided that no Event of Bankruptcy of the Bank, the Institution, Affiliates of the Institution or the Issuer shall have occurred, (D) any such other amounts (including, without limitation, the proceeds of any refunding bonds) with respect to which the Trustee and each Rating Agency, if the Bonds are then rated, receives a written opinion of Bond Counsel experienced in Bankruptcy Code matters to the effect that payment of such amounts to Bondholders will not constitute voidable preferences under the Bankruptcy Code or any applicable state codes, and (E) remarketing proceeds received from the Remarketing Agent pursuant to the Indenture. Notwithstanding the foregoing, when used with respect to the payment of any amounts due in respect of Pledged Bonds, the term **“Available Moneys”** shall mean any moneys held by the Trustee and the proceeds from the investment thereof, except for moneys drawn under the Letters of Credit.

“Available Moneys Subaccount” means the subaccount of the Bond Fund established pursuant to the Indenture.

“Bank” means Manufacturers and Traders Trust Company, and its successors and assigns, and, unless the context or use indicates another or different meaning or intent, any issuer of a Substitute Letter of Credit.

“Bank Documents” means collectively, the Letters of Credit, the Pledge Agreement, the Reimbursement Agreement, the Mortgage, the Building Loan Agreement, the Security Agreement, the Environmental Indemnity and any other documents executed in connection with the Indenture delivered to, or for the benefit of, the Bank.

“Bankruptcy Code” means the United States Bankruptcy Code, as amended from time to time.

“Bond Counsel” means the law firm of Hiscock & Barclay, LLP, or such other attorney or firm of attorneys located in the State whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and who are acceptable to the Issuer.

“Bond Documents” means the Bond Purchase Agreement, the Underlying Lease, the Indenture, the Sale Agreement, the Tax Compliance Agreement, the Pledge and Assignment, the Letters of Credit, the Institution Guaranty, the Remarketing Agreement, the Letter of Representations and the Official Statement.

“Bond Fund” means the fund so designated and created pursuant to the Indenture.

“Bond Payment Date” means any Interest Payment Date and any other date on which a Bond Service Charge shall be due on any of the Bonds so long as the Bonds shall be Outstanding.

“Bond Proceeds” means the proceeds of the sale of the Bonds, including any accrued interest, paid to the Trustee on behalf of the Issuer by the purchasers from time to time of the Bonds as the initial purchase price of the Bonds.

“Bond Purchase Agreement” means the Bond Purchase Agreement dated as of January 25, 2008 by and among the Issuer, the Institution and the Underwriter, relating to the initial purchase of the Bonds, as said Bond Purchase Agreement may be amended or supplemented from time to time.

“Bond Purchase Fund” means the fund so designated and created by the Indenture.

“Bond Registrar” means the Trustee as bond registrar with respect to the Bonds and its successors and assigns in such capacity.

“Bond Resolution” means the resolution of the Issuer adopted on January 23, 2008, authorizing the Issuer to issue and deliver the Bonds and to execute and deliver the Issuer Documents.

“Bond Service Charge” means, during any time period, the principal, redemption premium, if any, and interest required to be paid by the Institution on the Bonds during such time period.

“Bond Year” shall have the meaning assigned thereto in the Tax Compliance Agreement.

“Bondowners”, “Bondholders”, “Owners” or words of similar import means the registered owner of any Bond as indicated on the bond register maintained by the Bond Registrar.

“Book-Entry-Only System” means the system of registration described in the Indenture.

“Building Loan Agreement” means the building loan agreement dated as of January 1, 2008, among the Institution, the Trustee and the Bank, as said agreement may be amended or supplemented from time to time.

“Business Day” means any day of the year, other than a Saturday or Sunday, on which commercial banks located in New York, New York or the city or cities in which are located the principal corporate trust offices of the Trustee or of the Tender Agent, the principal office of the Remarketing Agent or the principal office of the Bank at which demands for payment under the Letters of Credit are to be presented and the New York Stock Exchange is not required or authorized to remain closed.

“Certificate of Authentication of the Trustee” and **“Trustee’s Certificate of Authentication”** means the certificate executed by an authorized officer of the Trustee certifying the due authentication of the Bonds in substantially the form attached to the forms of the Bonds attached as Exhibit A and Exhibit B to the Indenture.

“Closing Date” means, with respect to the Bonds, January 30, 2008.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the United States Treasury Department promulgated thereunder.

“Computation Period” means “Computation Period” as defined in the Tax Compliance Agreement.

“Condemnation” means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any governmental entity or other Person acting under governmental authority.

“Conversion” means the conversion of the interest rate on Bonds from the Variable Interest Rate to the Fixed Interest Rate on the Fixed Interest Rate Conversion Date.

“Conversion Option” means the right of the Institution to convert the interest rate on the Bonds from the Variable Interest Rate to the Fixed Interest Rate pursuant to the Indenture.

“Cost of the Project Facility” or “Costs of the Project Facility” means all those costs and items of expense relating to (i) the cost of preparing the plans and specifications (including any preliminary study or planning of the Project Facility or any aspect thereof); (ii) all costs of constructing and equipping the Project Facility (including architectural, engineering and supervisory services with respect to the Project Facility); (iii) all fees, taxes, charges and other expenses for recording or filing, as the case may be, the Bond Documents, any other agreement contemplated thereby and any financing statements that the Issuer, the Trustee and the Bank may deem desirable in order to perfect or protect the Issuer’s or the Institution’s respective interest in the Project Facility, and any security interests contemplated by the Bond Documents; (iv) all fees and expenses in connection with any actions or proceedings that the Issuer, the Trustee or the Bank may deem desirable in order to perfect or protect the Issuer’s, the Trustee’s, the Bank’s or the Institution’s respective interest in the Project Facility; (v) all legal, accounting and any other fees, costs and expenses incurred in connection with the preparation, printing, reproduction, authorization, issuance, execution, sale and distribution of the Bonds and the Bond Documents and all other documents in connection therewith, with the acquisition of an interest in the Project Facility and with any other transaction contemplated by the Sale Agreement or the other Bond Documents; (vi) any administrative, letter of credit or commitment fee of the Issuer, the Trustee and the Bank; (vii) all appraisal and survey costs; (viii) costs of the Rating Agency in connection with the issuance of its rating letters; (ix) eligible or approved soft costs contemplated by the Bond Documents and all other documents in connection therewith; and (x) reimbursement to the Institution for any of the above-enumerated costs and expenses.

“Demand Purchase Option” means the right of the Owner of the Bonds to tender such Bond for purchase pursuant to the Indenture.

“Determination Date” means (A) during the Variable Interest Rate Period, every Wednesday of each week immediately preceding each Adjustment Date, and (B) for the Fixed Interest Rate Conversion Date, the date specified by the Institution pursuant to the Indenture which shall be not later than the fifteenth Business Day nor earlier than the second Business Day immediately preceding such date.

“DTC” means The Depository Trust Company.

“Environmental Compliance and Indemnification Agreement” means the environmental compliance and indemnification agreement dated as of January 1, 2008 by the Institution in favor of the Issuer, as the same may be amended or supplemented from time to time.

“Environmental Indemnity” means the environmental compliance and indemnification agreement dated as of January 1, 2008 by the Institution in favor of the Bank and the Trustee, as the same may be amended or supplemented from time to time.

“Equipment” shall have the meaning assigned to such term in the Indenture.

“Event of Bankruptcy” means the filing of a petition in bankruptcy or the filing of a proceeding under the Bankruptcy Code or any other applicable insolvency, reorganization or bankruptcy law by or against the Institution, any Affiliates thereof, any guarantor of the Bonds (other than the Bank) or the Issuer, as debtor.

“Event of Default” shall have the meaning assigned to the term in the Indenture.

“Exempt Property” means only tangible personal property conveyed to or acquired by the Issuer pursuant to the Sale Agreement which is acquired on or before the completion date for the Project Facility as set forth in the Sale Agreement for incorporation in, or use in connection with the Project Facility.

“Extraordinary Services” and **“Extraordinary Expenses”** means all services rendered and all expenses incurred by the Trustee or any Paying Agent under the Indenture other than Ordinary Services and Ordinary Expenses, including reasonable fees and disbursements of Trustee’s Counsel.

“Facility” shall have the meaning assigned to such term in the fourth recital of the Indenture.

“Fiscal Year” means the twelve (12) month period beginning on July 1 in any year or such other fiscal year as the Institution may select from time to time.

“Fixed Interest Rate” means, with respect to the Series 2008A Bonds, the Fixed Tax-Exempt Interest Rate, and, with respect to the Series 2008B Bonds, the Fixed Taxable Interest Rate.

“Fixed Taxable Interest Rate” means the fixed taxable interest rate on the Series 2008 B Bonds as determined in accordance with the Indenture, from and including the Fixed Interest Rate Conversion Date, through, but not including, the final maturity date of the Series 2008B Bonds.

“Fixed Tax-Exempt Interest Rate” means the fixed tax-exempt interest rate on the Series 2008A Bonds as determined in accordance with the Indenture, from and including the Fixed Interest Rate Conversion Date, through, but not including, the final maturity date of the Series 2008B Bonds.

“Fixed Interest Rate Conversion” means the Conversion of the interest rate on the Bonds from the Variable Interest Rate to the Fixed Interest Rate.

“Fixed Interest Rate Conversion Date” means the date on which the Series 2008A Bonds shall commence to bear interest at the Fixed Tax-Exempt Interest Rate and the Series 2008B Bonds shall commence to bear interest at the Fixed Taxable Interest Rate as provided in the Indenture.

“Fixed Interest Rate Period” means that period during which the Series 2008A Bonds shall bear interest at the Fixed Tax-Exempt Interest Rate and the Series 2008B Bonds shall bear interest at the Fixed Taxable Interest Rate.

“Form of Bond” means with respect to the Bonds, the form of bond attached to the Indenture as Exhibit A and Exhibit B, respectively.

“Governmental Authority” means the United States of America, the State, any other state or any political subdivision of any of them, and any agency, department, commission, board, bureau or instrumentality of any of them.

“Government Obligations” means (A) direct obligations of the United States of America or (B) obligations, the full and timely payment of the principal and interest of which are guaranteed by the United States of America, which are not subject to redemption by the issuer thereof prior to their stated redemption.

“Holder” or **“Holder of Bonds”** means Bondowner.

“Improvement” or **“Improvements”** means all capital improvements and extraordinary repairs to the Project Facility other than those included in the Project initially financed from Bond Proceeds, all equipment installed therein and not included in the Project initially financed from Bond Proceeds, and all additional property not included in the Project initially financed from Bond Proceeds which the Institution may certify in writing to be useful and desirable in connection with the operation of the Project Facility, including buildings and the restoration, reconstruction or replacement thereof.

“Indenture” means the trust indenture, dated as of January 1, 2008, by and between the Issuer and the Trustee, entered into in connection with the issuance, delivery and payment of the Bonds and the security therefore, as said indenture may be amended or supplemented from time to time.

“Independent” means with respect to any counsel, a Person who is not a member of the governing body of the Institution or its Affiliates, or an officer or employee of the Institution or its Affiliates, *provided, however*, that the firm that such Person is retained regularly by or transacts business with the Institution shall not make such Person an employee within the meaning of this definition.

“Independent Counsel” means an attorney or attorneys or firm or firms of attorneys duly admitted to practice law before the highest court of any state of the United States of America or in the District of Columbia and not a full-time employee of the Issuer, the Institution, or the Trustee.

“Information Report” means Form 8038 used by the issuers of certain tax-exempt bonds to provide the Internal Revenue Service with the information required and to monitor the State volume limitations.

“Institution” means Union Graduate College, a not-for profit corporation organized and existing in the State and its successors and assigns.

“Institution Documents” means collectively, the Bond Purchase Agreement, the Official Statement, the Sale Agreement, the Tax Compliance Agreement, the Pledge and Assignment, the Reimbursement Agreement, the Mortgage, the Building Loan Agreement, the Pledge Agreement, the Institution Guaranty, the Security Agreement, the Environmental Indemnity, the Environmental Compliance and Indemnification Agreement and any other documents to which the Institution or any of its Affiliates is a party.

“Institution Guaranty” means the guaranty agreement, dated as of January 1, 2008, by and from the Institution to the Trustee pursuant to which the Institution guarantees to the Trustee for the benefit of the Holders of the Bonds, the payment of the principal of, premium, if any, Purchase Price, Redemption Price, and interest on the Bonds and the performance of the Issuer’s obligations under the Bond Documents, as said agreement may be amended or supplemented from time to time.

“Institution Subaccount” means the subaccount of the Bond Fund established pursuant to the Indenture.

“Insurance and Condemnation Fund” means the fund so designated and created by the Indenture.

“Interest Payment Date” means (A) prior to the Fixed Interest Rate Conversion Date, the first Thursday of each month commencing March 6, 2008, and (B) on and after the Fixed Interest Rate Conversion Date, March 1 and September 1 of each year, commencing with the first such date after the Fixed Interest Rate Conversion Date.

“Issuer” means the (A) City of Schenectady Industrial Development Agency, its successors and assigns, and (B) any local governmental body resulting from or surviving any consolidation or merger to which the Issuer or its successors may be a party.

“Issuer Documents” means collectively, the Bond Purchase Agreement, the Bonds, the Indenture, the Sale Agreement, the Pledge and Assignment, the Mortgage, the Tax Compliance Agreement and the Information Report.

“Land” means the real estate described in the fourth recital of the Indenture, as more fully described in Schedule A attached to the Underlying Lease.

“Letters of Credit” means the initial irrevocable, direct-pay letters of credit delivered to the Trustee pursuant to the Sale Agreement, and, unless the context or use indicates another or different meaning or intent, any Substitute Letter of Credit delivered to the Trustee pursuant to the Sale Agreement, and any extensions or amendments thereof.

“Letter of Credit Subaccount” means the subaccount of the Bond Fund established pursuant to the Indenture.

“Letter of Credit Substitution Date” means the Business Day next preceding the effective date of a Substitute Letter of Credit.

“Letter of Credit Termination Date” means fifteenth day prior to the Stated Expiration Date of the current Letters of Credit.

“Letter of Representations and Indemnity” means the Letter of Representations and Indemnity dated the date of delivery of the Bonds by the Institution in favor of the Issuer, the Bank, the Trustee and the Underwriter.

“Lien” means any interest in Property securing an obligation owed to a Person whether such interest is based on the common law, statute or contract, and including, but not limited to, the security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term “Lien” includes reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions and other similar title exceptions and encumbrances, including, but not limited to, mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar encumbrances, affecting Property. For the purposes of this definition, a Person shall be deemed to be the owner of any Property that it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

“Loss Event” means the occurrence of (A) any damage to or destruction of all or any part of the Project Facility, or (B) the Condemnation or taking by a competent authority by agreement of the Institution of all or any part of the Project Facility, including the temporary use thereof.

“Majority of Owners” means the Owners of more than fifty percent (50%) of the principal amount of all Outstanding Bonds as evidenced by an instrument or instruments executed by said Owners in accordance with the Indenture, and received by the Trustee. The Trustee shall be entitled to rely upon the accuracy of any such instrument. Unless an Event of Default has occurred and is continuing or the context requires otherwise, the Institution shall be responsible for obtaining any such instruments from a Majority of Owners.

“Mandatory Tender Date” means a mandatory tender date as defined in the Indenture.

“Maximum Interest Rate” means twelve percent (12%) per annum.

“Mortgage” means the building loan mortgage, assignment of rents and security agreement dated as of January 1, 2008, made by the Institution and the Issuer to the Bank, granting a security interest in the Project Facility subject only to Permitted Encumbrances, as said mortgage may be amended or supplemented from time to time.

“Net Proceeds” means so much of the gross proceeds with respect to which that term is used as remain after payment of all reasonable expenses, costs and taxes (including attorneys’ fees) incurred in obtaining such gross proceeds.

“Office of the Trustee” means the principal office of the Trustee as specified in the Indenture or at such other address as Trustee shall designate.

“Official Statement” means the Official Statement, dated January 25, 2008, delivered in connection with the issuance and delivery of the Bonds.

“Ordinary Services” and **“Ordinary Expenses”** means those services normally rendered and those expenses normally incurred by a trustee or paying agent, as the case may be, under instruments similar to the Indenture, including reasonable fees and disbursements of counsel for the Trustee.

“Outstanding” or **“Bonds Outstanding”** or **“Outstanding Bonds”** means all Bonds that have been authenticated by the Trustee and delivered by the Issuer under the Indenture, or any supplement thereto, except: (A) any Bond canceled by the Trustee because of payment or redemption prior to maturity; (B) any Bond deemed paid in accordance with the provisions of the Indenture, except that any such Bond shall be considered Outstanding until the maturity date thereof only for the purposes of being exchanged or registered; (C) any Bond for the redemption of which there has been separately set aside and held in the Bond Fund Available Moneys in an amount sufficient to effect payment of the principal and applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date, in accordance with the Indenture; and (D) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any Bond, for which a Bond in lieu of or in substitution therefor shall have been authenticated and delivered, is held by a bona fide purchaser, as that term is defined in Article 8 of the UCC of the State as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds so authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

“Owner” means the registered owner of any Bond as shown on the registration books maintained by the Bond Registrar pursuant to the Indenture. For so long as the Bonds are held by DTC, the registered owner shall be Cede & Co.

“Paying Agent” means the Trustee, acting as such, and any additional paying agent for the Bonds appointed pursuant to the Indenture, their respective successors and any other Person that may at any time be substituted in their respective places pursuant to the Indenture.

“Permitted Encumbrances” means (A) exceptions to title set forth in the title report delivered to the Bank on the Closing Date; (B) the Mortgage; (C) the Sale Agreement; (D) the Pledge and Assignment; (E) utility, access and other easements and rights-of-way, restrictions and exceptions that do not materially impair the utility or the value of the property affected thereby for the purposes for which it is intended; (F) mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar liens to the extent permitted by the Sale Agreement; (G) liens and encumbrances that are approved in writing by the Bank; and (H) liens for taxes not yet delinquent.

“Permitted Investments” has the meaning given to such term in the Indenture.

“Person” or **“Persons”** means an individual, partnership, corporation trust or unincorporated organization, and a government or agency or political subdivision or branch thereof.

“Pledge Agreement” means the pledge and security agreement (pledged bonds) dated as of January 1, 2008, from the Institution to the Bank, as said pledge and security agreement may be amended and supplemented from time to time.

“Pledge and Assignment” means the pledge and assignment (pledged bonds) with acknowledgment thereof by the Institution, dated as of January 1, 2008, from the Issuer to the Trustee and the Bank, as the same may be amended or supplemented from time to time.

“Pledged Bonds” means any Bonds at any time purchased, in whole or in part, with the proceeds of a draw under either of the Letters of Credit upon tender of each such Bond and held by the Trustee as nominee for the Bank pursuant to the Pledge Agreement.

“Principal User” means a principal user as that term is defined in the Tax Compliance Agreement.

“Project Facility” means the Land, the Facility and the Equipment, the Issuer’s interest in which is sold to the Institution under the Sale Agreement and which has been acquired and constructed, in part, with Bond Proceeds.

“Project Fund” means the fund so designated and created pursuant to the Indenture.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Purchase Date” means (A) during the Variable Interest Rate Period, any Business Day on or prior to the Fixed Interest Rate Conversion Date, or (B) any Mandatory Tender Date.

“Purchase Price” means an amount equal to one hundred percent (100%) of the principal amount of any Bond tendered or deemed tendered pursuant to the Indenture, plus accrued and unpaid interest thereon to the Purchase Date.

“Qualified Costs” means all Costs of the Project Facility allocable to the acquisition and construction of the Project Facility (A) which are either incurred by the Institution after the date which is sixty (60) days prior to the date the Institution adopted its declaration of official intent or are “preliminary expenditures” as defined in Treas. Reg. Section 1.150-2(f)(2); and (B) used in activities that do not constitute an Unrelated Trade or Business (as defined in the Tax Compliance Agreement), and which if the Institution were treated as a governmental unit with respect to such activities, would be treated as financing the activities of, or the acquisition, construction, improvement or equipping of property used by, such governmental unit; but “Qualified Costs” shall not include Issuance Costs (as defined in the Tax Compliance Agreement) and (ii) interest on the Bonds allocable to the Project Facility after the later of three years from the Issue Date (as defined in the Tax Compliance Agreement) or the date the Project Facility is placed in service.

“Rating Agency” means Moody’s Investors Services, Inc. and any of its successors or assigns.

“Ratings Letter” means an unconditional letter from the Rating Agency to the effect that delivery of a Substitute Letter of Credit will not result in a reduction or withdrawal of the rating, if any, then assigned to the Bonds.

“Real Estate Taxes” means all general levy real estate taxes levied against the Project Facility by any municipality and the applicable school district, and shall not include water or sewer charges, special assessments, *ad valorem* charges or any similar charges.

“Rebate Amount” means the amount computed as described in the Tax Compliance Agreement.

“Rebate Fund” means the Fund so designated pursuant to the Indenture.

“Record Date” means (A) during the Variable Interest Rate period, the close of business on the Business Day immediately preceding an Interest Payment Date and, (B) during the Fixed Interest Rate Period, the close of business on the fifteenth day of the calendar month next preceding an Interest Payment Date.

“Redemption Date” means, when used with respect to a Bond, the date upon which a Bond is scheduled to be redeemed pursuant to the Indenture.

“Redemption Price” means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the Indenture.

“Reimbursement Agreement” means the reimbursement agreement dated as of January 1, 2008, between the Institution and the Bank, as from time to time supplemented and amended, under the terms of which the Bank agrees to issue and deliver the initial Letters of Credit to the Trustee; and unless the context or use indicates another or different meaning or intent, any letter of credit agreement or reimbursement agreement between the Institution and the provider of any Substitute Letter of Credit delivered to the Trustee pursuant to the Sale Agreement, as from time to time supplemented and amended, which provides that it is a Reimbursement Agreement for purposes of the Sale Agreement and the Indenture.

“Related Person” shall have the same meaning as in the Tax Compliance Agreement.

“Remarketing Agent” means DEPFA First Albany Securities LLC, and any successors thereto, appointed in accordance with the Indenture.

“Reserved Rights” means:

(i) the right of the Issuer in its own behalf to receive all opinions of counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Sale Agreement;

(ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Sale Agreement;

(iii) the right of the Issuer to enforce in its own behalf the obligation of the Institution to complete the Project Facility;

(iv) the right of the Issuer to enforce or otherwise exercise in its own behalf all agreements of the Institution with respect to ensuring that the Project Facility shall always constitute a qualified “project” as defined in and as contemplated by the Act;

(v) the right of the Issuer to require and enforce any right of defense and any indemnity from any Person;

(vi) the right of the Issuer in its own behalf (or on behalf of the appropriate taxing authorities) to enforce, receive amounts payable under or otherwise exercise its rights under the Sale Agreement;

(vii) the right of the Issuer in its own behalf to declare an Event of Default under the Sale Agreement or with respect to any of the Issuer’s Reserved Rights; and

(viii) the right of the Issuer to amend with the Institution the Environmental Compliance and Indemnification Agreement and the right of the Issuer to enforce its remedies thereunder.

Notwithstanding the preceding sentence, to the extent the obligations of the Institution under the Sale Agreement do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, agents and employees of the Issuer for their own account, such obligations, upon assignment of the Sale Agreement by the Issuer to the Trustee pursuant to the Pledge and Assignment, shall be deemed to and shall constitute obligations of the Institution to the Issuer and the Trustee, jointly and severally, and either the Issuer or the Trustee may commence an action to enforce the Institution's obligations under the Sale Agreement.

"Revenues" means (A) all installment purchase payments made or to be made under the Sale Agreement (except payments made with respect to the Reserved Rights), (B) all payments received by the Trustee from the Institution, (C) all other amounts pledged to the Trustee by the Issuer or the Institution to secure the Bonds or performance of their respective obligations under the Sale Agreement and the Indenture, (D) the Net Proceeds (except proceeds with respect to the Reserved Rights) of insurance settlements and Condemnation awards with respect to the Project Facility, (E) the Net Proceeds received by the Trustee with respect to any other collateral granted to the Trustee to secure the Bonds, (F) all moneys and investments held from time to time in each fund and account established under the Indenture, and investment income thereon, except (1) for moneys and investments held in the Rebate Fund, (2) moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of which has been duly given, (3) moneys deposited with the Trustee or Tender Agent for the purchase of tendered Bonds, and (4) as specifically otherwise provided, and (G) all other moneys received or held by the Trustee for the benefit of the Holders of the Bonds pursuant to the Indenture. Notwithstanding anything to the contrary, amounts held in the Rebate Fund shall not be considered Revenues and shall not be subject to the Lien of the Indenture, and amounts held therein shall not secure any amount payable on the Bonds.

"Sale Agreement" means the installment sale agreement dated as of January 1, 2008, by and between the Issuer and the Institution, as said agreement may be amended or supplemented from time to time.

"Security Agreement" means the security agreement dated as of January 1, 2008 made by the Institution in favor of the Bank, as said agreement may be amended or supplemented from time to time.

"SEQR Act" means Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York and the regulations promulgated thereunder.

"Series" or "Series of Bonds" means the Series 2008A Bonds and the Series 2008B Bonds.

"Series 2008A Bonds" means the Tax-Exempt Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Series 2008A in the aggregate principal amount of \$5,660,000.

"Series 2008B Bonds" means the Taxable Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Series 2008B in the aggregate principal amount of \$40,000.

"State" means the State of New York.

"Stated Expiration Date" means the date on which the Letters of Credit are stated to expire, as extended from time to time.

"Stated Maturity" means, when used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

“Substitute Letter of Credit” means one or more letters of credit, delivered to the Trustee for the benefit of the holders of the Bonds in accordance with the Indenture, (A) issued by the Bank, (B) replacing any existing Letter of Credit, (C) dated as of a date prior to the expiration date of the Letter of Credit for which the same is to be substituted, (D) which shall have a term of at least one year and expire on a date which is at least fifteen (15) days after an Interest Payment Date, and (E) issued on substantially identical terms and conditions as the then existing Letter of Credit, except that the stated amount of the Substitute Letter of Credit shall equal the sum of (1) the aggregate principal amount of the Bonds at the time Outstanding, plus (2) an amount equal to at least thirty-five (35) days’ interest (computed at the Maximum Interest Rate) on the Bonds at the time Outstanding prior to the Fixed Interest Rate Conversion Date calculated on the basis of a 365/366 day year, as applicable for the actual days elapsed, and after the Fixed Rate Conversion Date, an amount equal to at least two hundred ten (210) days’ accrued interest on all Bonds at the time Outstanding based on a year of twelve (12) thirty (30) day months. An extension of the then current Letters of Credit shall not be deemed a Substitute Letter of Credit, and the delivery thereof shall not have any effect hereunder as would arise upon delivery of a Substitute Letter of Credit.

“Supplemental Indenture” means any indenture amending or supplementing the Indenture which may be entered into in accordance with the Indenture.

“Tax Compliance Agreement” means the tax compliance agreement dated the date of delivery of the Bonds executed by the Institution and the Issuer regarding, among other things, the restrictions prescribed by the Code in order for interest on the Series 2008A Bonds to remain excludable from gross income for federal income tax purposes, as said agreement may be amended or supplemented from time to time.

“Tax-Exempt Bonds” means any Series of Bonds, the interest on which is excludable from gross income for federal income tax purposes.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws in effect from time to time.

“Tender Agent” means Manufacturers and Traders Trust Company, serving as tender agent pursuant to the Indenture and any successor tender agent at the time serving as such hereunder.

“Tendered Bond” means any Bond tendered or deemed tendered for purchase pursuant to the Indenture.

“Trust Estate” has the meaning given to such term in the Granting Clause of the Indenture and shall include all Property which may from time to time be subject to a Lien in favor of the Trustee created by the Indenture or any other Issuer Document.

“Trustee” means Manufacturers and Traders Trust Company, a banking organization organized and existing under the laws of the United States, having an office for the transaction of business located at One M&T Plaza, 8th Floor, Buffalo, New York 14203-2391, or any successor trustee or co-trustee, acting as trustee under the Indenture.

“UCC” means the Uniform Commercial Code of the State, as amended from time to time.

“Underlying Lease” means the underlying lease dated as of January 1, 2008 from the Institution to the Issuer, as said underlying lease may be amended or supplemented from time to time.

“Underwriter” means DEPFA First Albany Securities LLC having an office for the transaction of business located at 677 Broadway, Albany, New York 12207.

“Variable Interest Rate” means, with respect to the Series 2008A Bonds, the Variable Tax-Exempt Interest Rate and, with respect to the Series 2008B Bonds, the Variable Taxable Interest Rate.

“Variable Interest Rate Period” means that period during which the Bonds of a particular Series shall bear interest at the Variable Interest Rate.

“Variable Taxable Interest Rate” means the interest rate on the Series 2008B Bonds from time to time in effect, as established pursuant to the Indenture from and including the original date of issuance of the Series 2008B Bonds through, but not including, the Fixed Interest Rate Conversion Date.

“Variable Tax-Exempt Interest Rate” means the interest rate on the Series 2008A Bonds from time to time in effect, as established pursuant to the Indenture from and including the original date of issuance of the Series 2008A Bonds through, but not including, the Fixed Interest Rate Conversion Date.

SUMMARY OF CERTAIN PROVISIONS OF THE SALE AGREEMENT

The Issuer’s interest in the Project Facility is to be sold to the Institution pursuant to the Sale Agreement. Reference is made to the Sale Agreement for complete details of the terms thereof. The following is a brief summary of certain provisions of the Sale Agreement and should not be considered a full statement thereof.

Representations of the Issuer

The Issuer will make the following representations in the Sale Agreement, among others:

(a) The Issuer is duly established under the provisions of the Act and has the power to enter into the Sale Agreement and to carry out its obligations under the Sale Agreement and has duly authorized the execution, delivery and performance of the Sale Agreement.

(b) To assist in financing Costs of the Project Facility, the Issuer will issue and sell the Bonds.

Representations and Covenants of the Institution

The Institution will make the following representations and covenants in the Sale Agreement, among others:

(a) The Institution is a not-for profit corporation duly organized and existing under the laws of the State, is duly authorized to do business in the State, has the power to enter into the Sale Agreement and the other Institution Documents and to carry out its obligations under the Sale Agreement and has duly authorized the execution, delivery and performance of the Sale Agreement and the other Institution Documents.

(b) The Project Facility is, and so long as any of the Bonds shall be outstanding the Project Facility will continue to be, a “project” as such quoted term is defined in the Act, and the Institution will not take any action (or omit to take any action required by the Bond Documents to which it is a party or which the Issuer and Bond Counsel advise the Institution in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (1) cause the Project Facility not to constitute a “project” as

such quoted term is defined in the Act, or (2) cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the Bond Documents.

(c) The Project Facility and the operation thereof will comply with all Applicable Laws.

(d) All proceeds of the Bonds will be used to pay the Costs of the Project Facility, and the total Costs of the Project Facility, including all costs related to the issuance of the Bonds, shall be not less than \$5,700,000.

(e) The Institution will not occupy, use or operate the Project Facility or allow the Project Facility or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting the Project Facility or which may constitute a nuisance, public or private, or make void or voidable any insurance then in force with respect thereto. The Institution further will agree that no part of the Project Facility shall be made available by the Institution for any purpose which would cause the Issuer's financing of the Project to constitute a violation of the First Amendment of the United States Constitution. In particular, the Institution agrees that no part of the Project Facility will be made available by the Institution primarily for any sectarian instruction for the purposes of advancement of religion 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; and any proceeds of any sale, lease, taking by eminent domain of the Project Facility or other disposition thereof shall not be used for, or to provide a place for, such instruction, worship or program.

Covenant with the Trustee, Bondholders and the Bank

The Issuer and the Institution will agree that the Sale Agreement is executed in part to induce the purchase of the Bonds and to induce the Bank to issue the Letters of Credit. Accordingly, all covenants and agreements on the part of the Issuer and the Institution set forth in the Sale Agreement (other than the Reserved Rights) will be declared to be for the benefit of the Trustee, the Bank and the holders from time to time of the Bonds.

Conveyance to Issuer

The Issuer will have a leasehold interest in the Land and the Facility. Pursuant to the Bill of Sale to Issuer, the Issuer will have acquired title to the Equipment or will acquire such title when the Equipment has been acquired.

The cost of the Project Facility will be paid from the Project Fund established under the Indenture or as otherwise provided in the Sale Agreement. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project Facility in full, the Institution agrees to pay that portion of such costs of the Project Facility as may be in excess of the moneys therefor in the Project Fund and shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds nor shall the Institution be entitled to any diminution of the installment purchase payments payable or other payments to be made under the Sale Agreement.

The Issuer will appoint the Institution its true and lawful agent, and the Institution will accept such Issuer and agrees on behalf of the Issuer to (i) to acquire, construct and install the Project Facility; (ii) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other Persons, and in general to do all things which may be requisite or proper, all for acquiring, constructing and equipping the Project Facility with the same powers and with the same validity as the Issuer could do if acting on its own behalf; (iii) to pay all fees, costs and expenses incurred in the acquisition, construction and equipping of the Project Facility from funds made available therefor in accordance with the Sale Agreement; and (iv) to ask, demand, sue for, levy, recover and receive all such sums or money, debts, dues and other

demands whatsoever which may be due, owing and payable to the Issuer under the terms of any contract, order, receipt or writing in connection with the construction, equipping and completion of the Project Facility and to enforce the provisions of any contract, agreement, obligation, bond or other performance security.

Application of Bond Proceeds

The proceeds of sale of the Bonds shall be deposited in the Project Fund and applied to the payment of Costs of the Project Facility in accordance with the provisions of the Indenture.

Conveyance by Issuer

In consideration of the Institution's covenant to make installment purchase payments, and in consideration of the other covenants of the Institution contained in the Sale Agreement, including the covenant to make additional and other payments required by the Sale Agreement, the Issuer will agree to sell and convey to the Institution, and the Institution will agree to purchase and acquire from the Issuer, the Project Facility.

Installment Purchase Payments and Other Amounts

(a) The Institution shall pay basic installment purchase payments to the Trustee, as assignee and pledgee of and for the account of the Issuer, on or before each date on which any principal of, or premium or interest on, the Bonds as the same become due on such date, whether at maturity, upon redemption or by acceleration or otherwise, sufficient in amount to pay when due the Bond Service Charges payable on or the Purchase Price for the Bonds. The obligations of the Institution to make any such payment will be deemed satisfied and discharged to the extent of the corresponding payment made by the Bank to the Trustee under the Letters of Credit. It is understood, however, that such payment by the Bank will not relieve the Institution of any of its obligations under the Reimbursement Agreement, including the obligation to reimburse the Bank for any draw on the Letters of Credit.

(b) The Institution will have the option to prepay its installment purchase payment obligation with respect to the Bonds, in whole or in part, at the times and in the manner provided in the Sale Agreement as and to the extent provided in the Indenture for redemption of the Bonds.

(c) In addition to the basic installment purchase payments pursuant to the Sale Agreement, the Institution will pay to the Issuer, the Trustee, the Remarketing Agent or Tender Agent, as additional installment purchase payments, based upon a reasonable detailing thereof by the Issuer, within thirty (30) days of the receipt of demand therefor, an amount equal to the sum of the reasonable expenses of the Issuer and the Trustee and the agents thereof incurred (i) by reason of the interest of the Issuer or Trustee in, or financing or sale of, the Project Facility, or (ii) in connection with the carrying out of the duties and obligations of the Issuer or Trustee under the Institution Documents, the payment of which is not otherwise provided for under the Sale Agreement. The foregoing shall not be deemed to include any annual or continuing administrative or management fee beyond any initial administrative fee or fee for services rendered by the Issuer. The Institution shall pay the Remarketing Agent and Tender Agent, as additional installment purchase payments, the reasonable fees and expenses of the Remarketing Agent and Tender Agent under the Indenture for services rendered in connection with the remarketing of the Bonds.

The Institution will make all basic installment purchase payments directly to the Trustee at its corporate trust office, except that while the Letters of Credit are in effect, the Institution, at its option and in accordance with (a) above, may deposit all basic installment purchase payments directly with the Bank, and the Bank shall apply such amounts to the reimbursement obligation of the Institution, *provided, however*, if the Bank fails to honor a properly presented draw on the Letters of Credit, the Institution will make such basic

installment purchase payments directly to the Trustee. Additional installment purchase payments will be made directly to the person or entity to whom or to which they are due.

Nature of Obligations of Institution Under Sale Agreement

The obligations of the Institution to make the payments required to be made under the Sale Agreement and to perform and observe the other agreements on its part contained therein will be absolute and unconditional and will not be subject to diminution by set-off, counterclaim, abatement or otherwise. Until such time as the principal of, and the interest on, the Bonds and all other amounts payable under the Sale Agreement or under the other Institution Documents shall have been paid in full, the Institution (a) will not suspend or discontinue any payments required to be made under the Sale Agreement except to the extent the same have been prepaid, (b) will perform and observe all of its other agreements contained therein, and (c) except as provided in the Sale Agreement, will not terminate the Sale Agreement for any cause, including, without limiting the generality of the foregoing, the failure to complete the Project Facility, failure of the Institution's or the Issuer's title in and to the Project Facility or any part thereof, any acts or circumstances that may constitute failure of consideration, sale, loss, eviction or constructive eviction, destruction of or damage to the Project Facility or commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Sale Agreement or with the Indenture.

Letters of Credit

Prior to the initial delivery of the Bonds to the initial purchaser or purchasers thereof pursuant to the Indenture, the Institution will obtain and deliver, to the Trustee, the Letters of Credit.

The Institution will take whatever action may be reasonably necessary to maintain the Letters of Credit in full force and effect during the period required by the Indenture, including the payment of any transfer fees required by the Bank upon any transfer of the Letters of Credit to any successor Trustee pursuant to the Indenture.

Maintenance, Modifications, Taxes and Insurance

During the term of the Sale Agreement, the Institution will keep the Project Facility in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Project Facility in the manner for which it was designed and as intended and contemplated by the Sale Agreement and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) reasonably necessary to ensure that the security for the Bonds shall not be materially impaired. The Issuer will not be under any obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of the Project Facility.

The Institution shall, prior to the date on which any interest or penalties shall commence to accrue thereon, cause to be paid and discharged all Real Estate Taxes that may be lawfully assessed against the Project Facility, if any. The Institution shall not suffer, and shall promptly cause to be paid and discharged, any Lien or charge whatsoever which by any present or future law may be or become superior, or on a parity with or junior to, either in Lien or in distribution out of the proceeds of any judicial sale, the liens of the Security Documents. The Institution will cause to be paid, when due, all charges for utilities whether public or private.

At all times throughout the term of the Sale Agreement, including, without limitation, during any period of construction of the Project Facility, the Institution agrees to maintain insurance, with insurance companies licensed to do business in the State, against such risks, loss, damage and liability (including

liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Institution.

Damage, Destruction and Condemnation

If the Project Facility is damaged or destroyed (in whole or in part) at any time or if title to, or the use of, less than substantially all of the Project Facility is taken by condemnation, there will be no abatement or reduction in the amounts payable by the Institution under the Sale Agreement.

Institution to Maintain its Legal Existence

The Institution agrees that it will (i) maintain its existence; (ii) continue to be an entity subject to service of process in the State and either organized under the laws of the State, or organized under the laws of any other state of the United States and duly qualified to do business in the State; (iii) not sell, transfer, pledge or otherwise encumber all or substantially all of the assets which constitute the Project Facility, except as permitted by, and in accordance with the Sale Agreement and the other Institution Documents and except for Permitted Encumbrances; (iv) not liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets; and (v) not consolidate with or merge into another Person or permit one or more Persons to consolidate with or merge into it. The Institution may, with the prior written consent of the Bank (which consent shall not be unreasonably withheld) and upon prior written notice to the Issuer, without violating the foregoing, consolidate with or merge into another Person or permit one or more Persons to consolidate with or merge into it, or sell or otherwise transfer all or substantially all of its property, business or assets to another Person (and thereafter liquidate, wind-up or dissolve or not, as the Institution may elect) subject to satisfaction of the conditions set forth in the Sale Agreement.

Covenant Regarding Tax Exemption

The Institution will covenant with the Issuer, with the Bank, with the Trustee and with each of the Holders of the Series 2008A Bonds that it will comply with all of the terms, provisions and conditions set forth in the Tax Compliance Agreement, including, without limitation, the making of any payments and filings required under the Sale Agreement.

Events of Default and Remedies on Default

The following will each be an "Event of Default" under the Sale Agreement:

(a) the failure by the Institution to pay or cause to be paid (i) any amount due the Issuer pursuant to the Sale Agreement, and the continuation of such failure for ten (10) days following demand thereof by the Issuer; or (ii) any other installment purchase payment due and payable by the terms of the Sale Agreement which results in an Event of Default under the Indenture;

(b) (i) the failure of the Institution to maintain or deliver evidence of the insurance coverage required by the Sale Agreement; (ii) the failure of the Institution to continuously operate, or cause the Project Facility to be operated, in accordance with the Sale Agreement; (iii) the failure of the Institution to perform its obligations under with respect to indemnification under the Sale Agreement; or (iv) the failure of the Institution to pay any amount (except the obligation to make those installment purchase payments and other payments described in the Sale Agreement) that has become due and payable or to observe and perform any other covenant, condition or agreement on its part to be performed with respect to real estate taxes, and continuance of any such failure for a period of thirty (30) days after receipt by the Institution of written notice specifying the nature of such default from the Issuer or the Trustee;

(c) the failure of the Institution to observe and perform any other covenant, condition or agreement under the Sale Agreement on its part to be performed and (i) continuance of such failure for a period of thirty (30) days after receipt by the Institution of written notice specifying the nature of such default from the Issuer or the Trustee, or (ii) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Institution fails to proceed with reasonable diligence after receipt of said notice to cure the same and in any event fails to cure the same within ninety (90) days after receipt by the Institution of such notice;

(d) the Institution shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property; (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due; (iii) make a general assignment for the benefit of its creditors; (iv) commence a voluntary case under the federal Bankruptcy Code; (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; (vi) take any action for the purpose of effecting any of the foregoing; or (vii) be adjudicated a bankrupt or insolvent by any court;

(e) a proceeding or case shall be commenced, without the application or consent of the Institution, in any court of competent jurisdiction seeking (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts; (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Institution or of all or any substantial part of its assets; (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing against the Institution shall be entered and continue unstayed and in effect, for a period of ninety (90) days; or (iv) the Institution shall fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code (the terms "dissolution" or "liquidation" of the Institution as used above shall not be construed to prohibit any action otherwise permitted by the Sale Agreement);

(f) any representation or warranty made by or on behalf of the Institution (i) in the application and related materials submitted to the Issuer or the initial purchaser(s) of the Bonds for approval of the Project or its financing, or (ii) in the Sale Agreement or in any of the other Institution Documents or Bank Documents, or (iii) in the Bond Purchase Agreement, or (iv) in the Tax Compliance Agreement, or (v) in any report, certificate, financial statement or other instrument furnished pursuant thereto or any of the foregoing shall prove to be false, misleading or incorrect in any material respect as of the date made;

(g) the default by the Institution in any of its obligations under the Environmental Compliance and Indemnification Agreement and the failure to cure such default within thirty (30) days of written notice by the Issuer;

(h) an Event of Default under the Indenture or the other Project Documents, shall have occurred and be continuing; or

(i) the invalidity, illegality or unenforceability of any of the Institution Documents.

Remedies

(a) Whenever an Event of Default shall have happened and be subsisting, and except as waived by the Trustee (subject to limitation imposed in the Sale Agreement) and provided no Event of Default is

continuing under the Letters of Credit, the Bank, any one or more of the following remedial steps may be taken:

(i) if acceleration of the principal amount of the Bonds has been declared pursuant to the Indenture, the Trustee shall declare all installment purchase payments to be immediately due and payable, whereupon the same shall become immediately due and payable;

(ii) the Issuer, the Bank or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Institution pertaining to the Project;

(iii) the Issuer, the Bank or the Trustee may pursue all remedies now or in the future existing at law or in equity to collect all amounts then due and thereafter to become due under the Sale Agreement or the Letters of Credit or to enforce the performance and observance of any other obligation or agreement of the Institution under those instruments;

(iv) in addition to any other rights or remedies granted by the Sale Agreement to the Issuer, the Issuer may enforce any of the Issuer's Reserved Rights without the consent of the Trustee or any other Person by an action for damages, injunction or specific performance, or by conveying the Project Facility to the Institution as provided in the Sale Agreement or by any other appropriate remedies generally available in law or equity; and

(v) the Issuer may on five (5) days notice to the Trustee and the Bank, convey the Project Facility to the Institution by tender of the Underlying Lease in accordance with the Sale Agreement, and the Institution will agree to accept such conveyance and designate the Issuer as its attorney-in-fact for the purpose of accepting such conveyance, together with execution and delivery of any other documents in connection therewith to be recorded, and to take such other and further action as may be reasonably necessary to accept the conveyance of the Project Facility.

(b) Notwithstanding anything to contrary in the Sale Agreement, neither the Bank nor the Trustee may waive an Event of Default arising with respect to the Issuer's Reserved Rights without the prior written consent of the Issuer. Notwithstanding anything in the Sale Agreement to the contrary, the Issuer will not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer at no cost or expense to the Issuer. Any amounts collected as installment purchase payments or applicable to installment purchase payments and any other amounts which would be applicable to the payment of Bond Service Charges collected pursuant to action taken under the Sale Agreement shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in the Indenture for transfers of remaining amounts held by the Trustee for payment of the Bonds.

(c) The Issuer's termination or reconveyance pursuant to the Sale Agreement will not be deemed to terminate the Sale Agreement as against the Bank or the Trustee, each of which retains its rights as set forth in the Sale Agreement.

Assignment of Sale Agreement or Lease or other Transfer of Project Facility

The Institution shall not assign or transfer the Sale Agreement or lease all or any part of the Project Facility unless (i) the Institution shall have received the prior written consent of the Issuer (which consent may be withheld in the absolute discretion of the Issuer) and the Trustee (which consent shall be given or withheld by the Trustee in accordance with the Indenture) to such assignment, transfer or lease, and (ii) the Issuer and the Trustee shall have received an opinion of Bond Counsel to the effect that such assignment, transfer or lease will not adversely affect the exclusion from federal income taxation of interest on the Series

2008A Bonds (or any Series of Bonds with respect to which an opinion of Bond Counsel was delivered upon issuance thereof to the effect that such interest was not includable in gross income for federal income tax purposes). Without limitation of the foregoing, (i) in the case of any assignment or transfer of Sale Agreement, the assignee or transferee shall furnish written evidence to the Issuer of its compliance with the Issuer's then existing policy and procedures, and (ii) in the case of any assignment or transfer of Sale Agreement or any lease of all or substantially all of the Facility, the assignee, transferee or lessee shall pay a fee to the Issuer in accordance with the Issuer's then existing policy and procedures.

Any of the foregoing notwithstanding, in the event an Event of Default (other than a wrongful dishonor by the Bank with respect to the Letters of Credit) has occurred and is continuing and (A) the Bank is exercising its remedies pursuant to the Institution Documents, (B) the Agency has elected, in its sole discretion, not to exercise its right under the Sale Agreement to convey the Project Facility to the Institution, and (C) the Bank has identified a potential purchaser of the Project Facility (the "Purchaser") and such Purchaser wishes to take the Sale Agreement by assignment, then such assignment shall, subject to the prior written consent of the Agency (not to be unreasonably withheld) and the Trustee, be permitted provided that: (i) the Purchaser shall make timely application to the Agency for approval of such assignment in accordance with the Agency's policies then in effect, (ii) the assignment shall be made in accordance with documentation reasonably acceptable to the Agency and the Trustee and shall include an assumption by the Purchaser of all the Institution's obligations under the Sale Agreement, the Bond Documents and the Institution Documents, (iii) contemporaneously with such assignment any defaults with respect to the Reserved Rights shall be cured, (iv) the Issuer and the Trustee shall have received an opinion of Bond Counsel to the effect that such assignment will not adversely affect the exclusion from federal income taxation of interest on the Series 2008A Bonds (or any series of bonds with respect to which an opinion of bond counsel was delivered upon issuance thereof to the effect that such interest was not includable in gross income for federal income tax purposes), (v) the Agency and the Trustee shall receive certified copies of the organizational documents of the Purchaser and appropriate resolutions, good standing certificates and opinions of counsel, evidencing to the Agency's and Trustee's satisfaction that the Purchaser is authorized to do business in the State of New York and in good standing, that the assignment has been duly authorized and that the documentation in connection therewith has been duly authorized, executed and delivered and is enforceable against the Purchaser in accordance with their terms, (vi) the Agency and Trustee shall receive appropriate insurance certificates and other documentation evidencing to the satisfaction of the Agency and Trustee that the Purchaser is in compliance with the terms and conditions of the Sale Agreement, (vii) the Purchaser shall be an eligible user of the Project Facility in accordance with the Agency's policies then in effect and pursuant to the Act, (viii) the Purchaser shall pay an assumption fee to the Issuer in accordance with the Issuer's then existing policies and procedures and shall pay all reasonable costs and expenses of the Trustee and the Issuer, including attorneys' fees, in connection with such assignment. Nothing contained herein shall constitute a waiver of, or limitation on, the Issuers' right, in its absolute discretion, to convey the Project Facility to the Institution pursuant to Section 7.2 of the Sale Agreement.

No Recourse to Issuer

The liability of the Issuer to the Institution under the Sale Agreement and to the Trustee and the Bondholders shall be enforceable only out of, and limited to, the Issuer's interest under the Sale Agreement and the security interest created by the Indenture. There shall be no other recourse against the Issuer, its members, directors, officers, agents, servants and employees and persons under the Issuer's control or supervision, past, present or future, or against any of the property owned by it or them now or in the future. Any obligation the Issuer may incur for the payment of money in the performance of the Sale Agreement shall not create a debt of the State or of the City of Schenectady, and neither the State nor the City of Schenectady shall be liable on any obligation so incurred. Any such obligation shall be payable solely out of any installment purchase payments or other proceeds or funds derived from the Sale Agreement.

No provision, covenant, representation, warranty or agreement contained in the Sale Agreement or in the Bonds or any obligations therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge upon its general credit. In making the agreements, provisions, representations, warranties and covenants set forth in the Sale Agreement, the Issuer has not obligated itself except with respect to the Project Facility and the application of the revenues, income and all other property therefrom as provided in the Sale Agreement.

All covenants, stipulations, promises, agreements, representations, warranties and obligations of the Issuer contained in the Sale Agreement shall be deemed to be covenants, stipulations, promises, agreements, representations, warranties and obligations of the Issuer and not of any member, director, officer, employee or agent (other than the Institution) of the Issuer in his individual capacity, and no recourse shall be had for the payment of the principal or interest on the Bonds or for any claim based thereon or thereunder against any member, director, officer, employee or agent (other than the Institution) of the Issuer or any natural person executing the Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

The following summarizes certain provisions of the Indenture to which reference is made for the detailed provisions thereof. Certain provisions of the Indenture are also described in the Official Statement. The following should not be considered a full statement of the Indenture. The following does not include a summary of certain provision of the Indenture that are applicable when the Bonds bear interest at the Fixed Interest Rate.

Restriction on Issuance of Bonds

Bonds may be issued only for the purpose of providing funds to pay the Costs of the Project Facility and paying certain costs of issuance of the Bonds.

No Recourse against Issuer

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture, in the Bonds, in the other Bond Documents and in the other documents and instruments connected therewith shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer, agent (other than the Institution) or employee of the Issuer in his or her individual capacity, and no recourse under or upon any obligation, covenant or agreement contained in the Bond Documents and the Bonds or otherwise based upon or in respect to the Bond Documents and the Bonds or any documents supplemental hereto or thereto, or for any of the Bonds or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future member, officer, agent (other than the Institution) or employee, as such, of the Issuer, or any successor public benefit corporation, the State of New York, or any municipality or political subdivision of the State of New York, including, without limitation, the City of Schenectady, New York, or any Person executing the Bond Documents and the Bonds either directly or through the Issuer or any successor public benefit corporation, the State of New York, or any municipality or political subdivision of the State of New York, including, without limitation, the City of Schenectady, New York, it being expressly understood that the Bond Documents and the Bonds shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer, payable solely from the revenues of the Issuer derived and to be derived from the lease, sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Reserved Rights) and other revenues pledged under the Indenture, and that no such personal liability whatsoever shall attach to, or is or shall be incurred by, any such member, officer, agent (other than the Institution) or employee of the Issuer or of any such successor public benefit corporation, the State of New York, or any municipality or political subdivision of the State of New York, including, without limitation, the City of

Schenectady, New York, or any Person executing the Bonds because of the creation of the indebtedness authorized thereby, or under or by reason of the obligations, covenants or agreements contained in the Bond Documents or in any of the Bonds or implied therefrom, and that any and all such personal liability of, and any and all such rights and claims against, every such member, officer, agent or employee because of the indebtedness authorized hereby, or under or by reason of the obligations, covenants or agreements contained in the Bond Documents or in any of the Bonds or implied therefrom.

Transfer of Bonds

Each Bond shall be transferable only on the books of the Issuer as maintained by the Trustee in its capacity as Bond Registrar, upon surrender thereof at the Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his attorney duly authorized in writing. Upon the transfer of any registered Bond, the Issuer shall issue in the name of the transferee a new registered Bond or Bonds, of the same aggregate principal amount in Authorized Denominations, maturity and rate of interest as the surrendered Bond.

The Issuer, the Trustee and any Paying Agent may deem and treat the Person in whose name any Bond shall be registered upon the books of the Issuer as the absolute Owner thereof, whether such Bond shall be overdue or not for the purpose of receiving payment of the principal or Redemption Price of and, except as otherwise provided in the Indenture, interest on such Bond and for all other purposes. All such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability of the Issuer upon such Bond to the extent of the sum or sums so paid. None of the Issuer, the Trustee nor any Paying Agent shall be affected by any notice to the contrary.

Regulations with Respect to Exchanges and Transfers

Except as otherwise provided in the Indenture, in all cases in which the privilege of exchanging or transferring Bonds is exercised, the Issuer shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. All Bonds surrendered in any exchanges or transfers shall forthwith be canceled in accordance with the provisions of the Indenture. For every exchange or transfer of Bonds, whether temporary or definitive, the Issuer or the Trustee may make a charge sufficient to reimburse it for (i) any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, (ii), the reasonable cost of preparing each new Bond, and (iii) any other expenses of the Issuer or the Trustee incurred in connection therewith.

Neither the Issuer nor the Trustee shall be obligated to exchange or transfer any Bond pursuant to the Indenture, except in connection with any optional or extraordinary redemption of such Bond pursuant to the Indenture, during the ten (10) days next preceding (i) a Bond Payment Date or (ii) in the case of any proposed redemption of Bonds, the date of the first mailing of notice of such redemption, *provided, however*, that in the event of a Bond selected for redemption in part, nothing in this paragraph shall prohibit exchange of the remaining portion of such Bond redeemed in part for a new Bond with a reduced principal amount or the transfer or exchange of any such new Bond.

Determination of Variable Interest Rate

During the Variable Interest Rate Period, the Bonds will bear interest during each Adjustment Period at the Variable Interest Rate for such period. The Variable Interest Rate will be that interest rate which at the time so determined on the Determination Date, in the best professional judgment of the Remarketing Agent, is the lowest rate of interest which, if borne by the Bonds for the next Adjustment Period, would permit the Remarketing Agent to sell such Bonds at par. The Variable Interest Rate so determined will remain in effect until the following Adjustment Date during the Variable Interest Rate Period.

In determining the Variable Tax-Exempt Interest Rate with respect to the Series 2008A Bonds, the Remarketing Agent will take into account to the extent applicable with respect to the Series 2008A Bonds (1) market interest rates for comparable securities held by open-end municipal tax-exempt bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to the Series 2008A Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as the Series 2008A Bonds if the Series 2008A Bonds are at such time rated by a national credit rating agency; (2) other financial market rates and indices which may have a bearing on the Variable Interest Rate (including, but not limited to, rates borne by commercial paper, HUD project notes, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate, indices maintained by The Bond Buyer, and other publicly available tax-exempt interest rate indices); (3) general financial and credit market conditions (including current forward supply); (4) factors particular to the Project Facility or the credit rating and financial condition of the Institution and the Bank; and (5) applicable tender or other provisions which, in the best professional judgment of the Remarketing Agent, may have a bearing on the Variable Tax-Exempt Interest Rate for the Series 2008A Bonds during the next Adjustment Period.

In determining the Variable Taxable Interest Rate with respect to the Series 2008B Bonds, the Remarketing Agent will take into account to the extent applicable with respect to the Series 2008B Bonds (1) market interest rates for comparable securities held by open-end municipal taxable bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to the Series 2008B Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as the Series 2008B Bonds if the Series 2008B Bonds are at such time rated by a national credit rating agency, (2) other financial market rates and indices which may have a bearing on the Variable Interest Rate (including, but not limited to, rates borne by commercial paper, HUD project notes, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate, indices maintained by The Bond Buyer, and other publicly available taxable interest rate indices); (3) general financial and credit market conditions (including current forward supply); (4) factors particular to the Project Facility or the credit rating and financial condition of the Institution and the Bank; and (5) applicable tender or other provisions which, in the best professional judgment of the Remarketing Agent, may have a bearing on the Variable Taxable Interest Rate for the Series 2008B Bonds during the next Adjustment Period.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, or the Variable Tax-Exempt Interest Rate so determined is held invalid or unenforceable by a court of law with competent jurisdiction and the Trustee receives written notice thereof, the Variable Tax-Exempt Interest Rate will be determined by the Trustee and will be equal to the most recent index (as published in The Wall Street Journal, or, if not so published, or ceasing to be so published, in the Federal Register) of seven (7) day yield evaluation at par of issuers of securities, the interest on which is exempt from federal income taxation of comparable rating to the rating on the Series 2008A Bonds published by any nationally recognized municipal securities evaluation service selected by the Trustee, or if there is no such available index, the Variable Tax-Exempt Interest Rate will be determined by the Trustee and will be equal to one hundred percent (100%) of the yield applicable to thirteen (13) week United States Treasury bills determined by the Trustee on the basis of the average per annum discount rate at which such thirteen (13) week Treasury bills have been sold (1) at the most recent Treasury auction conducted during the immediately preceding Adjustment Period, or (2) if no such auction has been conducted during the immediately preceding Adjustment Period, at the most recent Treasury auction conducted prior to such preceding Adjustment Period. The determination by the Trustee in accordance with this paragraph of the Variable Tax-Exempt Interest Rate to be borne by the Series 2008A Bonds will be conclusive and binding on the respective Holders of the Series 2008A Bonds, the Issuer, the Bank, the Remarketing Agent and the Institution.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, or the Variable Taxable Interest Rate with respect to the Series 2008B Bonds so determined is held invalid or

unenforceable by a court of law with competent jurisdiction and the Trustee receives written notice thereof, the Variable Taxable Interest Rate will be determined by the Trustee and will be equal to the most recent index (as published in *The Wall Street Journal*, or, if not so published, or ceasing to be so published, in the Federal Register) of seven-day yield evaluation at par of issuers of securities, the interest on which is includable in gross income for federal income taxation, of comparable rating to the rating on such Series 2008B Bonds published by any nationally recognized municipal securities evaluation service selected by the Trustee, or if there is no such available index, the Variable Taxable Interest Rate on such Series 2008B Bonds will be determined by the Trustee and will be equal to one hundred thirty percent (130%) of the yield applicable to thirteen (13) week United States Treasury bills determined by the Trustee on the basis of the average per annum discount rate at which such thirteen (13) week Treasury bills have been sold (A) at the most recent Treasury auction conducted during the immediately preceding Adjustment Period, or (B) if no such auction has been conducted during the immediately preceding Adjustment Period, at the most recent Treasury auction conducted prior to such preceding Adjustment Period. The determination by the Trustee in accordance with this paragraph of the Variable Taxable Interest Rate to be borne by the Series 2008B Bonds will be conclusive and binding on the respective Holders of the Series 2008B Bonds, the Issuer, the Bank, the Remarketing Agent and the Institution.

Anything in the Indenture to the contrary notwithstanding, the Variable Interest Rate to be borne by the Bonds will in no event exceed the lesser of the Maximum Interest Rate or the maximum rate permitted by law.

Redemption of the Bonds

Extraordinary Redemption Without Premium.

To the extent moneys are transferred to the Bond Fund pursuant to Article V of the Indenture or paid to the Trustee pursuant to the Sale Agreement for deposit in the Bond Fund, upon the receipt of property insurance or title insurance proceeds, Condemnation awards or proceeds of any conveyance in lieu of Condemnation, which are directed to the redemption of Bonds pursuant to Article V of the Sale Agreement, the Trustee shall redeem Bonds in whole or in part, on any date within sixty (60) days of direction from the Institution to redeem Bonds at a Redemption Price equal to the principal amount of the Bonds redeemed, plus accrued interest to the Redemption Date, without premium.

The Bonds also are subject to redemption in whole prior to maturity upon receipt by the Trustee of written notice of a final determination by a court or Governmental Authority of the invalidity, illegality or unenforceability of the Bonds, the Sale Agreement or the Indenture. In such event, the Bonds shall be redeemed, as a whole, in the manner provided in the Indenture, on the date fifteen (15) days after receipt by the Trustee of the written notice of such final determination, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date, without premium.

Optional Redemption of the Bonds.

During the Variable Interest Rate Period, at the option of the Issuer (which option shall be exercised upon and only upon the giving of notice by the Institution of its intention to prepay installment purchase payments due under the Sale Agreement), the Bonds shall be subject to redemption prior to maturity as a whole at any time or in part on any Interest Payment Date (but if in part in the minimum principal amount of \$100,000 plus integral multiples of \$5,000 in excess thereof) at the Redemption Price of one hundred percent (100%) of the principal thereof, plus accrued interest to the Redemption Date.

Selection of Bonds to Be Redeemed.

In the event of any partial redemption of the Bonds, the particular Bond or portion thereof to be redeemed shall be selected by the Trustee not more than sixty (60) days prior to the Redemption Date by lot or by such other method as the Trustee shall deem fair and appropriate. During the Variable Interest Rate Period, the Trustee may provide for the selection for redemption of portions of the Bonds equal to \$100,000 plus integral multiples of \$5,000 in excess thereof (provided any remaining Bond shall be in an Authorized Denomination).

Payment of Redemption Price and Accrued Interest.

Whenever Bonds are called for redemption, the accrued interest thereon shall become due on the Redemption Date. To the extent not otherwise provided, the Institution shall deposit with the Trustee prior to the Redemption Date a sufficient sum in Available Moneys on the Redemption Date to pay the Redemption Price of and accrued interest on the Bonds. In **NO EVENT** shall the Trustee pay any portion of the principal of, premium, if any, of or interest on any Bond from other than Available Moneys. Furthermore, the Trustee shall make such payments by first drawing on the Letters of Credit.

Notice of Redemption.

When Bonds are to be redeemed, the Trustee shall give written notice to the Bondowners in the name of the Issuer, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption and specify the Office of the Trustee at which such Bonds will be redeemed. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof together with interest accrued to the Redemption Date, and that to the extent Available Moneys therefor having been deposited with the Trustee, from and after such date, interest thereon shall cease to accrue and that the Bonds or portions thereof called for redemption shall cease to be entitled to any benefit under the Indenture except the right to receive payment of the Redemption Price together with interest accrued to the Redemption Date. The Trustee shall mail the redemption notice the number of days prior to the date fixed for redemption provided in the Form of Bond, to the Owners of any Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Trustee. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond or give rise to any liability or recourse to the Trustee.

Demand Purchase Option

During the Variable Interest Rate Period, the Owner of any Bond shall have the right to tender such Bond to the Tender Agent for purchase in whole or in part (in any Authorized Denomination, *provided that* after such tender such remaining portion shall also be in an Authorized Denomination) on any Purchase Date that is a Business Day at a Purchase Price equal to one hundred percent (100%) of the principal amount of the Bonds tendered plus accrued interest to the specified Purchase Date. In order to exercise such option with respect to any Bond or portion thereof, the Owner thereof must give by mail, delivery or facsimile to the Tender Agent at its designated corporate trust office by 1:00 p.m., New York City time (with a copy to the Remarketing Agent), on a Business Day at least seven (7) days immediately preceding the proposed Purchase Date, written notice of tender to the Tender Agent (which written notice of tender shall in either case be in the form provided in the Indenture or shall be in such other form designated by the Tender Agent). Upon the delivery of such written notice of tender, such election to tender shall be irrevocable and binding upon the Owner thereof. At or before 10:00 a.m., New York City time, on the specified Purchase Date, the Owner of each Bond as to which such written notice of tender shall have been given shall deliver each such Bond and an instrument of assignment or transfer duly executed in blank (which instrument of assignment or transfer shall be in the form provided on such Bond or in such other form acceptable to the Tender Agent), to the Tender Agent at its designated corporate trust office, and any Bond which is not so tendered, but for which

there has been irrevocably deposited Available Moneys in the Bond Purchase Fund sufficient to pay the Purchase Price thereof and all other Tendered Bonds on such specified Purchase Date, shall be deemed to have been tendered by the Owner thereof and purchased from such Owner on the specified Purchase Date. The Tender Agent shall, in its sole discretion, determine whether, with respect to any Bond, the Owner thereof shall have properly exercised the option to have its Bond purchased as a whole or in part.

If there has been irrevocably deposited Available Moneys in the Bond Purchase Fund sufficient to pay the Purchase Price of all Tendered Bonds on such specified Purchase Date, the Owner of any Tendered Bond not so tendered (an “*Unsurrendered Bond*”) shall not be entitled to receive interest on such Unsurrendered Bond on and after the specified Purchase Date, and all such Unsurrendered Bonds shall be deemed to have been tendered for purchase and purchased on such specified Purchase Date.

Notwithstanding anything in the Indenture to the contrary, the Bonds will not be subject to optional tender for purchase if, upon the time of tender or upon the Purchase Date, the Bonds have been accelerated as a result of an Event of Default and such acceleration has not been annulled. No Owner of a Bond will have the right to tender a Bond (or any principal portion thereof) for purchase if a notice of redemption has been sent by the Trustee with respect to such Bond (or principal portion thereof). Pledged Bonds will not be subject to the Demand Purchase Option.

Mandatory Tender of Bonds

Subject to the provisions described below, the Owner of each Bond will be required to tender such Bond to the Tender Agent for purchase on (i) a Letter of Credit Substitution Date (unless a Ratings Letter from each Rating Agency then rating the Bonds shall have been delivered), or (ii) a Letter of Credit Termination Date, or (iii) the Fixed Interest Rate Conversion Date (each such date a “*Mandatory Tender Date*”), all as more fully provided in Section 4.2 of the Indenture, *provided that* if the Institution has delivered a Substitute Letter of Credit in accordance with Section 13.2 of the Indenture and a Ratings Letter from each Rating Agency then rating the Bonds at least ten (10) days prior to the Stated Expiration Date of the current Letter of Credit, then the Bonds will not be subject to mandatory tender on the Letter of Credit Termination Date of the Letter of Credit being replaced by the Substitute Letter of Credit.

Notice of a mandatory tender will be prepared by the Trustee and given by the Bond Registrar by first class mail, postage prepaid, to the Owners of all Bonds (or in the case of a Fixed Interest Rate Conversion, all Bonds of the applicable Series) at their addresses appearing on the registration books of the Issuer maintained by the Bond Registrar, not less than fifteen (15) nor more than twenty (20) days prior to a Mandatory Tender Date. Such notice of mandatory tender will specify the Mandatory Tender Date and will state that the Mandatory Tender Date is a Letter of Credit Substitution Date, a Letter of Credit Termination Date, or the Fixed Interest Rate Conversion Date, as the case may be, and that all Bonds must be tendered by the Owner or Beneficial Owner thereof for purchase at or before 10:00 a.m., New York City time, on such Mandatory Tender Date (or, if the Mandatory Tender Date is not a Business Day, on the immediately following Business Day) to the Tender Agent at its designated corporate trust office, together with an instrument of assignment or transfer duly executed in blank (which instrument of assignment or transfer shall be in the form provided on the Bonds or such other form designated by the Tender Agent), and will be purchased on the Mandatory Tender Date (or, if the Mandatory Tender Date is not a Business Day, on the immediately following Business Day) at a Purchase Price equal to the principal amount thereof and accrued interest, if any, thereon, and any such Bond which is not so tendered but for which there has been irrevocably deposited Available Moneys in the Bond Purchase Fund sufficient to pay the Purchase Price thereof and of all other Bonds on the Mandatory Tender Date, will be deemed to have been tendered for purchase by the Owner thereof and purchased from such Owner on the Mandatory Tender Date.

All such Bonds must be tendered by the Owner thereof to the Tender Agent for purchase at or before 9:30 a.m., New York City time, on the Mandatory Tender Date (or, if the Mandatory Tender Date is not a

Business Day, on the immediately following Business Day), by delivering such Bonds to the Tender Agent at its designated corporate trust office, together with an instrument of assignment or transfer duly executed in blank (which instrument of assignment or transfer shall be in the form provided on the Bonds or such other form designated by the Tender Agent). On the Mandatory Tender Date, the Tender Agent will purchase, or cause to be purchased, all such Bonds at a Purchase Price equal to the principal amount thereof and accrued interest, if any, thereon. Funds for payment of the Purchase Price of all such Bonds will be drawn by the Tender Agent from the Bond Purchase Fund as provided in the Indenture. Notwithstanding anything in the Indenture to the contrary, the Trustee shall draw on the Letter of Credit being substituted for payment of the Purchase Price on all Bonds subject to mandatory tender on the Letter of Credit Substitution Date.

If there has been irrevocably deposited Available Moneys in the Bond Purchase Fund sufficient to pay the Purchase Price of all such Bonds on the Mandatory Tender Date, the Owner of any Unsurrendered Bond will not be entitled to receive interest on such Unsurrendered Bond on and after the relevant Mandatory Tender Date, and all such Unsurrendered Bonds will be deemed to have been tendered for purchase and purchased on such Mandatory Tender Date.

Establishment of Funds

The Indenture creates the following trust funds to be established with the Trustee and will be held, maintained and administered by or on behalf of the Trustee on behalf of the Issuer in accordance with the Indenture:

Project Fund;

Bond Fund and, within the Bond Fund, special accounts identified as the Bond Fund Available Moneys Subaccount, the Bond Fund Letter of Credit Subaccount and the Bond Fund Institution Subaccount;

Insurance and Condemnation Fund;

Bond Purchase Fund; and

Rebate Fund.

Project Fund

Moneys in the Project Fund shall be applied and expended by the Trustee to Costs of the Project Facility in accordance with the provisions of the Sale Agreement (particularly Section 2.3 thereof). Except as provided in the Indenture, payments from the Project Fund shall be made only upon receipt by the Trustee of a Requisition in the form required by the Indenture, signed by the Institution and approved by the Bank in writing.

Any requisition may authorize the making of payments to or on behalf of the Institution for advances made in respect of Costs of the Project Facility or work done in respect of the Project Facility, but only to the extent that such amounts are properly chargeable against the Project Fund.

Anything to the contrary notwithstanding, the Trustee, at the request of the Institution or the Issuer, shall make transfers from the Project Fund to the Rebate Fund as provided in the Indenture.

Treatment of Deposit in Project Fund Upon Acceleration

Upon the acceleration of the principal of all Bonds Outstanding pursuant to the Indenture, all amounts, if any, in any Project Fund shall be transferred over to the Bond Fund Available Moneys Subaccount for payment of the Bonds in accordance with the Indenture. In addition, the Institution shall have no right to obtain any disbursements from any Project Fund, if an Event of Default, or an event or condition which, with notice or passage of time or both, would constitute an Event of Default under the Sale Agreement, has occurred and is continuing. In the event the acceleration of the Bonds is annulled pursuant to the Indenture, any amounts remaining from the moneys transferred from the Project Fund shall be transferred back to the Project Fund upon such annulment.

Bond Fund

There shall be deposited into the: (i) Bond Fund Institution Subaccount all installment purchase payments received from the Institution under the Sale Agreement (except payments made with respect to the Reserved Rights, (ii) Bond Fund Available Moneys Subaccount any amount in the Insurance and Condemnation Fund directed to be paid into the Bond Fund under the Indenture, and (iii) Bond Fund Institution Subaccount all prepayments by the Institution in accordance with the Sale Agreement. All other moneys received by the Trustee under and pursuant to the Indenture or the other Bond Documents which by the terms hereof or thereof are to be deposited into the Bond Fund, or are accompanied by directions from the Institution or the Issuer that such moneys are to be paid into the Bond Fund shall be deposited into the appropriate subaccount of the Bond Fund.

Moneys on deposit in the Bond Fund shall be invested in Permitted Investments in accordance with the Indenture.

All moneys in the Bond Fund which constitute or become Available Moneys (other than amounts received by the Trustee as a result of a draw upon the Letters of Credit) shall be deposited by the Trustee into the Bond Fund Available Moneys Subaccount. All moneys in the Bond Fund received by the Trustee as a result of a draw upon the Letters of Credit shall be deposited in the Bond Fund Letter of Credit Subaccount. Moneys on deposit in the Bond Fund Letter of Credit Subaccount and the Bond Fund Available Moneys Subaccount shall be applied by the Trustee to pay the principal of, premium, if any, and interest on the Bonds as the same become due, whether at Stated Maturity, upon any Bond Payment Date, upon acceleration of the Bonds or upon redemption of the Bonds, except as required to be paid to the Bank or as otherwise provided in the Indenture.

In **NO EVENT** shall the Trustee pay any portion of the principal of, premium, if any, of or interest on any Bond from other than Available Moneys. Furthermore, the Trustee shall make such payments by first drawing on the Letters of Credit pursuant to the Indenture.

Insurance and Condemnation Fund

The net proceeds of any insurance settlement or Condemnation award received by the Trustee pursuant to the Sale Agreement in connection with damage to or destruction of or the taking of part or all of the Project Facility will be deposited into the Insurance and Condemnation Fund.

If, pursuant and subject to the Sale Agreement, following damage to or condemnation of all or a portion of the Project Facility, (1) the Institution exercised its option not to repair, rebuild or restore the Project Facility and to require the redemption of the Bonds, or (2) if a taking in condemnation occurs, the Trustee shall, after any transfer to the Rebate Fund required by the Tax Compliance Agreement and the Indenture is made, transfer all moneys held in the Insurance and Condemnation Fund to the Bond Fund

Available Moneys Subaccount to be applied to the redemption of the Bonds then Outstanding pursuant to the Indenture.

If, following damage to or condemnation of all or a portion of the Project Facility, the Institution elects to repair, rebuild or restore the Project Facility, and provided no Event of Default under any Bond Document has occurred and is continuing, moneys held in the Insurance and Condemnation Fund and attributable to the damage to or the destruction of or the taking of the Project Facility will, after any transfer to the Rebate Fund required by the Tax Compliance Agreement and the Indenture is made, be applied to pay the costs of such repairs, rebuilding or restoration in accordance with the terms and conditions set forth in the Indenture.

Bond Purchase Fund

The Bond Purchase Fund shall be used to pay the Purchase Price of Tendered Bonds. The Tender Agent, as agent of the Trustee, shall hold all moneys on deposit in the Bond Purchase Fund in trust.

There shall be paid into the Bond Purchase Fund, as and when received:

- (i) the proceeds of the remarketing of the Bonds by the Remarketing Agent pursuant to the Indenture;
- (ii) all moneys drawn by the Trustee under the Letters of Credit for the purpose of paying such Purchase Price;
- (iii) all payments made directly by the Institution pursuant to the Sale Agreement for application to the Purchase Price; and
- (iv) all other moneys received by the Trustee under and pursuant to any of the provisions of the Indenture, the Sale Agreement, the Letters of Credit or otherwise which are required or which are accompanied by directions that such moneys are to be paid into the Bond Purchase Fund.

Use of Moneys in the Bond Purchase Fund

On each Purchase Date (or, if such Purchase Date is not a Business Day, on the immediately following Business Day), the Tender Agent will pay the Purchase Price of Bonds tendered for purchase from moneys on deposit in the Bond Purchase Fund from funds derived from the following sources and in the order of priority indicated:

- (a) The cash proceeds actually on hand with the Tender Agent from the sale of such Bonds which have been remarketed by the Remarketing Agent prior to 10:30 a.m., New York City time, on the Purchase Date, to any entity other than the Institution or an a guarantor or the Issuer or a Related Person to any of the foregoing;
- (b) Moneys drawn by the Trustee under the Letters of Credit;
- (c) Any other Available Moneys (except amounts drawn under the Letters of Credit) held by the Trustee and available for such purpose; and
- (d) Any other moneys furnished to the Tender Agent and available for such purpose.

In no event will the Trustee use any moneys drawn under the Letters of Credit to pay the Purchase Price or principal of, or the premium, if any, or interest on, any Pledged Bonds or Bonds held by or for the

account of the Institution or the Issuer. If for any reason funds are not available under the Letters of Credit for payment of the Purchase Price of such Bonds on such Purchase Date (or the immediately following Business Day if such Purchase Date is not a Business Day), the Trustee will immediately request from the Institution funds sufficient to pay the Purchase Price of such Bonds pursuant to the Sale Agreement by directing that the Institution deposit such funds with the Tender Agent at its principal corporate trust office.

Rebate Fund

The Indenture also creates and establishes with the Trustee a fund to be known as the Rebate Fund which will be used for the deposit of the Rebate Amount and will not be subject to the lien of the Indenture.

The Sale Agreement and the Tax Compliance Agreement will provide that the Institution will make payments to the Trustee for deposit in the Rebate Fund.

Drawing on Letters of Credit

Except as otherwise provided in the Indenture, all funds received by the Trustee under the Letters of Credit shall be deposited by the Trustee in the Bond Fund Letter of Credit Subaccount and used solely to pay the principal of, and the premium, if any, and interest on, the Bonds, *provided, however*, that moneys drawn by the Trustee under the Letters of Credit will not be used to pay the Purchase Price or principal of, or the premium, if any, or interest on, any Pledged Bonds or Bonds held by or for the account of the Institution or the Issuer.

Except as provided below, any obligations of the Issuer under the Indenture and the Bonds or of the Institution under the Sale Agreement which are satisfied from the exercise of the Trustee's rights under the Letters of Credit will be deemed to be satisfied, and no claim therefor will be made by the Bondholders against the Issuer, the Trustee or the Institution or by the Issuer, the Trustee or the Bondholders against the Institution in respect of such obligations, *provided, however*, that to the extent the Bank has not been reimbursed for amounts paid under the Letters of Credit or under any other Bond Document, such obligations will not be deemed satisfied, and the Bank will be subrogated to the rights of the Issuer under the Sale Agreement (except the Reserved Rights) and the rights of the Trustee under the Sale Agreement and under the other Bond Documents (except the rights of the Trustee to receive payments for fees, expenses, indemnifications or other amounts which are payable to the Trustee individually under the Bond Documents and are not to be subsequently delivered to the Bondholders), and, further, such subrogation will not release the Institution from its obligations under the Reimbursement Agreement or under the other Bond Documents or release the Institution from its obligations under the Institution Guaranty.

After a drawing on the Letters of Credit described in the Indenture, any and all moneys held by the Trustee in the Bond Fund shall be paid on the same day as the draw on the Letters of Credit to the Bank to be applied against the Institution's obligations under the Reimbursement Agreement.

Procedure When Funds Sufficient To Pay All Bonds

If, at any time, the moneys held by the Trustee in the funds established under the Indenture, other than the Rebate Fund, are sufficient to pay the principal or Redemption Price of and interest on all Bonds then Outstanding, together with any amounts due the Trustee and any amounts due to the Owners of the Bonds, the Issuer, the Trustee, the Tender Agent, the Paying Agent and the Bank, the Institution may elect to defease the Bonds pursuant to the Indenture and if the Institution so elects and notifies the Trustee in writing of such election, the Trustee shall apply the amounts in such funds to the payment of such principal (or Redemption Price) and interest and to the payment of any other amounts due to the Owners of the Bonds, and to the payment of any amounts due to the Issuer, the Trustee, the Tender Agent, the Paying Agent and the Bank, all as is provided in the Indenture.

Investments

The Trustee shall, at the request and written direction of the Institution (*provided that* upon the occurrence of any Event of Default, the Institution may not make such investment directions), invest and reinvest moneys held in any fund or account established under the Indenture in Permitted Investments, except that moneys held in the Rebate Fund and moneys held for defeasance of the Bonds will be invested only in Government Obligations and moneys held for payment of matured installments of principal or interest on Bonds, moneys derived from the remarketing of Bonds and moneys received as a result of a draw on the Letters of Credit shall remain uninvested; *provided, however*, in the absence of such written direction of the Institution, or after the occurrence of an Event of Default, the Trustee will invest and reinvest moneys held in any such funds or accounts only in investments of the type described in clause (G) under the definition of Permitted Investments below.

All Permitted Investments shall mature or be subject to redemption by the Trustee prior to the date or dates that moneys therefrom will be required.

Unless otherwise provided in the Indenture, all interest, income and profits received with respect to Permitted Investments, or upon the sale or disposition thereof in the (A) Project Fund shall be retained in the Project Fund, (B) Insurance and Condemnation Fund shall be retained in the Insurance and Condemnation Fund, (C) Bond Fund shall be retained in the Bond Fund, (D) Bond Purchase Fund shall be retained in the Bond Purchase Fund, and (E) Rebate Fund shall be retained in the Rebate Fund.

The term "Permitted Investments" means:

- (a) Government Obligations;
- (b) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("*FHLMCs*"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal and senior debt obligations of the Federal National Mortgage Association ("*FNMAs*"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("*GNMAs*"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing and Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation Securities; rated in each case, at the time of purchase, "Aa" or at least as high as any rating then in effect on the Bonds by Moody's;
- (c) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "Aa" or at least as high as any rating then in effect on the Bonds by Moody's, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "Aa" rating then in effect on the Bonds by Moody's;
- (d) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" or better by Moody's;

(e) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than three hundred sixty-five (365) days) of any domestic bank, including a branch office of a foreign bank, which branch office is located in the United States, *provided* written legal opinions in a form acceptable to the Trustee are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a Short-Term CD rating of "MIG1" by Moody's;

(f) Deposits of any bank or savings and loan association rated "Aa" or better by Moody's, including the Trustee and its Affiliates which has combined capital, surplus and undivided profits of not less than \$50,000,000, *provided* such deposits are continuously and fully insured by the Federal Deposit Insurance Corporation;

(g) Investments in money-market funds rated "Aa2" or "P-1" or higher by Moody's. Such funds may include those for which the Trustee or an affiliate of the Trustee provides services for a fee, whether as investment advisor, custodian, transfer agent, sponsor, distributor or otherwise;

(h) Shares of an open-end, diversified investment Institution which is registered under the Investment Institution Act of 1940, as amended, and which: (i) invests exclusively in permitted investments of the type set forth in items (A) through (F) above; (ii) seeks to maintain a constant net asset value per share in accordance with regulations of the Securities and Exchange Commission; and (iii) has aggregate net assets of at least \$50,000,000 on the date of purchase;

(i) Agreements with, or which are guaranteed by, a financial institution or financial services company which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreements are entered into, in one of the two highest rating categories by a Rating Agency, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, or is an insurance company or insurance holding company with a claims paying ability rated in one of the two highest categories, *provided* (i) interest is paid at least semi-annually at a fixed rate during the entire term of the respective agreement, consistent with Interest Payment Dates; (ii) moneys invested thereunder may be withdrawn without any penalty, premium or charge upon not more than seven days' notice for withdrawals permitted under the Indenture (*provided* such notice may be amended or cancelled at any time prior to the withdrawal date); (iii) the agreements are not subordinated to any other obligations of such financial institution or bank; and (iv) the Trustee receives an opinion of counsel that such agreements are enforceable obligations of such financial institution; and

(j) Provided that the Bank shall not have wrongfully dishonored a drawing under the Letters of Credit, which dishonor has not been cured by the Bank, any other investments approved in writing by the Bank.

Valuation of Funds

As of each Interest Payment Date, the Trustee shall compute the value of the assets of each fund or account established under the Indenture. In computing the assets of any fund or account, investments and the accrued interest paid on the purchase thereof shall be deemed a part of such fund or account. Investments of money in each such fund pursuant to the Indenture shall be valued at the purchase price or the current market value thereof, whichever is lower, *provided that* any investment agreement will be valued at the maximum amount that can be withdrawn under the terms of such investment agreement.

Performance of Issuer Covenants

The Issuer will covenant that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings pertaining thereto.

Discharge of Indenture

Any Outstanding Bond or installments of interest with respect thereto shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (i) there shall have been deposited with the Trustee sufficient Available Moneys and/or Government Obligations purchased with Available Moneys, that will, without further investment, be sufficient, together with the other amounts held for such payment, to pay the principal of the Bonds when due or to redeem the Bonds on the earliest possible redemption date thereof at the Redemption Price specified in the Indenture, (ii) in the event such Bond is to be redeemed prior to maturity in accordance with the Indenture, all action required by the provisions of the Indenture to redeem the Bonds shall have been taken or provided for to the satisfaction of the Trustee and notice thereof in accordance with the Indenture have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) provision will have been made for the payment of all amounts due to the Trustee under the terms of the Bond Documents and all fees and expenses of any additional Tender Agent and Paying Agent, (iv) the Issuer will have been reimbursed for all of its expenses under the Sale Agreement and (v) all other payments required to be made under the Sale Agreement and the Indenture with respect to the Bonds will have been made or provided for.

Upon the defeasance of all Outstanding Bonds in accordance with the Indenture, the Trustee will hold in trust, for the benefit of the Owners of such Bonds, all such Available Moneys and/or Government Obligations, will make no other or different investment of such Available Moneys and/or Government Obligations and will apply the proceeds thereof and the income therefrom only to the payment of such Bonds.

Events of Default

The following shall be "Events of Default" under the Indenture, and the term "**Event of Default**" shall mean, when it is used in the Indenture, any one or more of the following events:

(a) A default in the due and punctual payment of any interest on or any principal of, or the Redemption Price of any Bond, whether at the Stated Maturity thereof, upon proceedings for redemption thereof, or upon the maturity thereof by declaration; or

(b) If no Letters of Credit are then held by the Trustee, failure by the Issuer to observe and perform any covenant, condition or agreement on its part to be observed or performed thereunder, other than any such failure which results in an Event of Default under the Indenture, for a period of sixty (60) days after written notice of such failure requesting such failure to be remedied, given to the Issuer and the Institution by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Bondholders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding; or

(c) The Trustee receives notice from the Bank that an Event of Default under the Reimbursement Agreement has occurred; or

(d) If payment of the Purchase Price of any Bond required to be purchased pursuant to the Indenture is not made when such payment has become due and payable; or

(e) The Bank fails to honor any proper drawing under the Letters of Credit; or

(f) A decree or order of a court or agency or supervisory authority, having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against the Bank or the Bank shall have consented to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Bank or of or relating to all or substantially all of its property and the lapse of ninety (90) days during which an Substitute Letter of Credit complying with the terms of the Indenture has not been delivered to the Trustee; or

(g) The occurrence and continuance of an Event of Default as defined in the Sale Agreement.

At any time before an acceleration pursuant to the Indenture, the Trustee shall (i) waive a default under subparagraph (g) above and the respective consequences upon written instructions of the Bank and (ii) waive a default under subparagraph (f) above and the respective consequences upon presentation by the Institution to the Trustee of an Substitute Letter of Credit in accordance with the Indenture. No waiver under the Indenture shall affect the rights of the Trustee or the Issuer under the Indenture.

Acceleration; Annulment of Acceleration

Upon the occurrence of an Event of Default under subparagraph (a), (c) or (d) above, the Indenture, all Bonds Outstanding shall become immediately due and payable without action or notice of any kind on the part of the Trustee or the Issuer. Upon the occurrence and continuance of any other Event of Default the Trustee, upon the written request of 100% of Owners shall, by notice in writing delivered to the Issuer, the Bank and the Institution, declare all Bonds immediately due and payable, and such Bonds shall become and be immediately due and payable, anything in the Bonds or in the Indenture to the contrary notwithstanding. In either such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and that will accrue thereon to the date of declaration of acceleration. Immediately upon a declaration of acceleration of the principal of and accrued interest on all Bonds Outstanding under the Indenture, the Trustee shall make a draw on the Letters of Credit in accordance with the Indenture in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Bonds then Outstanding due by virtue of such acceleration. If all of the Bonds Outstanding shall become so immediately due and payable, the Issuer and the Trustee shall as soon as possible declare by written notice to the Institution all unpaid installment purchase payments payable by the Institution under the Sale Agreement to be immediately due and payable.

At any time after the principal of the Bonds 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 Indenture, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms by a notice in writing delivered to the Issuer, the Bank and the Bondholders if (i) moneys shall have been deposited in the Bond Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding Bonds; (ii) moneys shall be available sufficient to pay the amounts described in the Indenture; (iii) all other amounts then payable by the Issuer hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; (iv) every other Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee; and (v) the Letters of Credit shall have been reinstated. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Application of Moneys following Event of Default

The Net Proceeds received by the Trustee pursuant to any right given or action taken under the Indenture with respect to an Event of Default will be deposited in the Bond Fund and applied as follows:

(i) Unless the principal of all the Bonds will have become due or will have been declared due and payable,

FIRST — To the payment of all installments of the interest then due, in the order of the maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or preference;

SECOND — To the payment of the unpaid principal or Redemption Price of any of the Bonds that will have become due (other than Bonds called for redemption for the payment of which moneys were held pursuant to the provisions of the Indenture), in order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which such Bonds became due and, if the amount available will not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled thereto without any discrimination or preference;

THIRD — To the payment of the principal or Redemption Price of and interest on the Bonds as the same become due and payable; and

FOURTH — To the payment to the Bank of all amounts due to the Bank pursuant to the Reimbursement Agreement.

(ii) If the principal of all the Bonds will have become due or will have been declared due and payable, to the payment of the principal and interest (at the rate or rates expressed thereon) then due and unpaid upon all of the 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 over any other Bond, ratably according to the amounts due respectively for principal and interest to the Persons entitled thereto without any discrimination or preference.

(iii) If the principal of all the Bonds will have been declared due and payable and if such declaration will thereafter have been annulled, the moneys will be applied in accordance with the provisions of paragraph (i) above.

Whenever moneys are to be applied by the Trustee pursuant to the above provisions of the Indenture, such moneys will be applied at such time or times as the Trustee in its sole discretion will 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. Interest on the amounts of principal to be paid will cease to accrue on the date of declaration of acceleration in accordance with the Indenture. The Trustee will give such notice as it may deem appropriate of the application of any such moneys and of the fixing of any such date.

Any moneys received by the Trustee from the Bank pursuant to the exercise of any rights granted under the Indenture or under the Letters of Credit will first be applied in accordance with the provisions of the Indenture applicable to drawings on the Letters of Credit.

Remedies Vested in Trustee

All rights of action (including the right to file proof of claim) under the Indenture or under any of the Bonds may be enforced by the Trustee without possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee will be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds. Subject to the provisions of the Indenture, any recovery of judgment will be for the equal benefit of the Owners of the Outstanding Bonds.

Majority Bondholders Control Proceedings

Subject to the Indenture and the rights of the Bank, if an Event of Default will have occurred and be continuing, the Majority of Owners will have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee (which in exercising such judgment the Trustee may rely upon an opinion of counsel), is not unduly prejudicial to the interests of Owners not joining in such direction, and provided further, that nothing will impair the right of the Trustee in its discretion to take any other action under the Indenture that it may deem proper and that is not inconsistent with such direction by Owners and, except as provided as otherwise provided in the Indenture with respect to certain Events of Default, upon receipt of adequate indemnification reasonably satisfactory to the Trustee.

Subrogation Rights of the Bank

In the event that: (i) an Event of Default occurs and is continuing under the Indenture, or (ii) the Trustee draws against the Letters of Credit in connection with the redemption of the Bonds, and in either case the Trustee has been provided with the funds pursuant to the Letters of Credit for the payment of the principal of and interest on the Bonds, then, in such event, the Bank will be subrogated to all rights theretofore possessed under the Bond Documents by the Trustee and the Bondholders in respect of which such principal and interest has been paid with funds provided by the Bank (to the extent such funds provided by the Bank pursuant to the Letters of Credit have not been reimbursed to the Bank). After the payment in full of all Bonds owned by the Bondholders thereof, any reference in the Indenture to the Bondholders or Holders of the Bonds, will mean the Bank to the extent of its subrogation rights resulting from payments made pursuant to the Letters of Credit.

Amendments and Supplements without Bondholders Consent

Without the consent of the Owners, but with the consent of the Institution and (provided that the Bank will not have wrongfully dishonored a drawing under the Letters of Credit, which dishonor has not been cured by the Bank) the Bank, which consent shall not be unreasonably withheld, the Trustee and the Issuer may enter into one or more Supplemental Indentures for any one or more of the following purposes:

- (a) to add additional rights and covenants of the Issuer or to surrender any right or power conferred upon the Issuer in the Indenture;
- (b) for any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any Supplemental Indenture which may be defective or inconsistent with any other provision contained therein or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Indenture which will not adversely affect the interests of the owners of the Bonds;

(c) to permit the Bonds to be converted to certificated securities to be held by the registered owners thereof;

(d) to permit the appointment of a co-trustee under the Indenture;

(e) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(f) to modify, alter, supplement or amend the Indenture in such manner as will permit the qualification of the Indenture under the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Issuer and the Bondholders; or

(h) to make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code if, in the opinion of nationally recognized bond counsel selected by the Institution and approved by the Trustee, those amendments would not cause the interest on the Bonds outstanding to be included in gross income of the Bondholders for federal income tax purposes which amendments may, among other things, change the responsibility for making the relevant calculations.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the Indenture, there shall have been delivered to the Trustee an opinion of Independent Counsel stating that such Supplemental Indenture is authorized under the Indenture, and that such Supplemental Indenture will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms.

Amendments and Supplements With Bondholders Consent

The Indenture may be amended from time to time, except with respect to (1) the principal, redemption price, purchase price or interest payable upon any Bonds, (2) the Interest Payment Dates, the dates of maturity or the redemption or purchase provisions of any Bonds, and (3) the provisions of the Indenture governing the requirements for consent of the Owners to a Supplemental Indenture, by a Supplemental Indenture consented to by the Issuer and (provided that the Bank will not have wrongfully dishonored a drawing under the Letters of Credit, which dishonor will not have been cured by the Bank) the Bank and approved by the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding which would be affected by the action proposed to be taken. The Indenture may be amended with respect to the matters enumerated in clauses (1) through (3) of the preceding sentence with the unanimous consent of all Bondholders, the Bank and the Issuer.

Amendments and Modifications to the Sale Agreement

Without the consent of or notice to the Bondholders, the Issuer may enter into and the Trustee may, with the written consent of the Bank (provided that such written consent shall be required only if the Bank shall not have wrongfully dishonored a drawing under the Letters of Credit, which dishonor has not been cured by the Bank), consent to any amendment, change or modification of the Sale Agreement as may be required (i) by the provisions of the Sale Agreement or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Sale Agreement, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture not requiring consent of the Holders, or (iv) in connection with any other change therein which is not to the prejudice of the

Trustee or the Bondholders of the Bonds, in the judgment of the Trustee. Except for amendments, changes or modifications specified in the preceding sentence, neither the Issuer nor the Trustee will consent to:

(a) any amendment, change or modification of the Sale Agreement which would change the amount or time as of which installment purchase payments are required to be paid, without the giving of notice as provided in the Indenture of the proposed amendment, change or modification and receipt of the written consent of the Bank on behalf of itself (provided that such written consent shall be required only if the Bank shall not have wrongfully dishonored a drawing under the Letters of Credit, which dishonor has not been cured by the Bank) and the Bondholders of all of the then outstanding Bonds, or

(b) any other amendment, change or modification of the Sale Agreement without the giving of notice as provided in the Indenture of the proposed amendment, change or modification and receipt of the written consent thereto of the Bank (provided that such written consent shall be required only if the Bank shall not have wrongfully dishonored a drawing under the Letters of Credit, which dishonor has not been cured by the Bank), and the written consent of the Bondholders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

Amendment and Substitution of Letters of Credit

The Trustee may, without the consent of or notice to the Owners of the Bonds, consent to any amendment, change or modification of the Letters of Credit or the exhibits thereto as maybe required (i) for the purpose of curing any ambiguity or formal defect or omission; (ii) to obtain a credit rating on the Bonds from a Rating Agency; (iii) to effect a transfer thereof to a successor Trustee; (iv) to effect an extension of the terms thereof; (v) to effect a reduction or reinstatement thereof in accordance with its terms; or (vi) in connection with any other change which, in the judgment of the Trustee, does not adversely affect the interests of the Owners of the Bonds in any material respect; *provided, however*, that the Trustee will not consent to any other change, modification or amendment to the Letters of Credit without notice to and the written consent or approval of the Owners of not less than one hundred percent (100%) in aggregate principal amount of the Bonds then Outstanding. The Trustee will give written notice to the Remarketing Agent at the direction of the Institution of any amendment or supplement to the Letters of Credit, together with a copy of such amendment or supplement entered into pursuant to the Indenture, *provided that* the Trustee will not be responsible for or incur any additional liability for failing to give such notice.

The Institution may, at its option, deliver a Substitute Letter of Credit to the Trustee in accordance with the Indenture and the Sale Agreement. In connection with the delivery of a Substitute Letter of Credit, the Bonds shall be subject to mandatory tender on the Letter of Credit Substitution Date as provided in the Indenture unless a Ratings Letter, from each Rating Agency then rating the Bonds, shall have been delivered in accordance with the Indenture, provided that if the Institution shall have delivered a Substitute Letter of Credit in accordance with the Indenture at least thirty-five (35) days prior to the Stated Expiration Date of the current Letters of Credit, then the Bonds shall not be subject to mandatory tender on the Letter of Credit Termination Date of the Letters of Credit being replaced by the Substitute Letter of Credit. The Institution shall give the Trustee not less than forty-five (45) days prior written notice of its intention to deliver a Substitute Letter of Credit. Such notice shall include the identity of the issuer thereof and proposed delivery date thereof. Trustee shall give notice to Bondholders of Institution's intent to deliver a Substitute Letter of Credit not less than thirty-five (35) days prior to the date proposed for delivery.

Bank Deemed Owner of Bonds

The Bank shall be deemed to be the sole owner of all Bonds for purposes of granting any waiver or consent, giving any notice permitted to be given by the Owners of the Bonds under the Indenture, and, with the exclusive right, among others, to exercise or direct the exercise of remedies on behalf of the Owners of the

Bonds in accordance with the terms of the Indenture following an Event of Default, *provided that* the foregoing rights shall be in effect only so long as (1) any amounts due to the Bank under the Reimbursement Agreement have not been paid, or (2) (i) any of the Bonds are Outstanding under the terms of the Indenture, (ii) the Letters of Credit remain in effect, (iii) the Bank shall not have delivered to the Trustee a written waiver of its rights under the Indenture, (iv) the Bank has not failed to honor a proper drawing under the Letters of Credit, which failure has not been cured by the Bank, and (v) no Event of Default under the Indenture has occurred and is continuing.

SUMMARY OF CERTAIN PROVISIONS OF THE INSTITUTION GUARANTY

The following summarizes certain provisions of the Institution Guaranty to which reference is made for the detailed provisions thereof. The following should not be considered a full statement thereof.

Obligations Guaranteed

The Institution unconditionally guarantees to the Trustee for the benefit of the Holders from time to time of the Bonds (1) the full and prompt payment of the principal of the Bonds, the Purchase Price, if any, of the Bonds and the indebtedness represented thereby, and the redemption premium, if any, on the Bonds when and as the same shall become due and payable, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise; and (2) the full and prompt payment of interest on the Bonds when and as the same shall become due and payable (the payments referred to in clauses (1) and (2) hereof together with other amounts due and payable under the Indenture being collectively referred to as the “*Guaranteed Obligations*”).

The Institution further irrevocably and unconditionally agrees that upon any default in any of the Guaranteed Obligations, the Institution will promptly pay the same. All payments by the Institution shall be paid in lawful money of the United States of America. Each and every default in any of the Guaranteed Obligations shall give rise to a separate cause of action, and separate suits may be brought under the Institution Guaranty as each cause of action arises.

The Institution further agrees that the Institution Guaranty constitutes an absolute, unconditional, present and continuing guarantee of payment and not of collection, and waives any right to require that any resort be had by the Trustee or the Holders of the Bonds to (1) any security held by or for the benefit of the Holders of the Bonds for any of the Guaranteed Obligations, (2) the Trustee’s or any Bondholder’s rights against any other Person, or (3) any other right or remedy available to the Trustee or any Holder of the Bonds by contract, applicable law or otherwise. The obligations of the Institution under the Institution Guaranty are direct, unconditional and completely independent of the obligations of any other person or entity, and a separate cause of action or separate causes of action may be brought and prosecuted against the Institution without the necessity of joining the Issuer or any other party or previously proceeding with or exhausting any other remedy against any other Person who might have become liable for any of the Guaranteed Obligations or of realizing upon any security held by or for the benefit of the Holders of the Bonds.

Survival of Guarantee Obligation

If the Trustee receives any payment on account of the Guaranteed Obligations, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be transferred or repaid to a trustee, receiver, assignee for the benefit of creditors or any other party under any bankruptcy act or code, state or federal law or common law or equitable doctrine or for any other reason whatsoever, then to the extent of any sum not finally retained by the Trustee, the Institution Guaranty shall remain in full force and effect until the Institution shall have made payment to the Trustee of such sum, which payment shall be due on demand. If the Trustee chooses to contest any such matter, the Institution agrees to indemnify and hold harmless the Trustee with respect to all costs (including court costs and reasonable attorneys’ fees) of such litigation.

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APPENDIX E

FORM OF TENDER NOTICE

TO: Manufacturers and Traders Trust Company, as Trustee
One M&T Plaza, 8th Floor
Buffalo, New York 14203-2391
Attention: Corporate Trust Services

BONDHOLDER'S NOTICE OF TENDER

\$5,660,000

**CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY
TAX-EXEMPT VARIABLE RATE DEMAND CIVIC FACILITY REVENUE BONDS
(UNION GRADUATE COLLEGE PROJECT- LETTER OF CREDIT SECURED), SERIES 2008A**

The undersigned registered owner of the Bonds described below (the "*Tendered Bonds*") does hereby irrevocably tender the Tendered Bonds to Manufacturers and Traders Trust Company, or its successor as Tender Agent (the "*Tender Agent*") with respect to the Tax-Exempt Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Series 2008A in the aggregate principal amount of \$5,660,000 (the "*Series 2008A Bonds*"), for acquisition by the Tender Agent seven (7) days from the date of receipt of this notice (which shall be deemed received on a day only if received by 1:00 p.m., New York City time, that day) or if such day is not a Business Day,^{*} the next succeeding Business Day (the "*Tender Date*"). Tender notices received by the Tender Agent after the close of business, New York City time, on any Business Day will be deemed to have been received on the next succeeding Business Day. The purchase price of Tendered Bonds which is to be paid on the Tender Date upon surrender of the Tendered Bonds to the Tender Agent shall be the unpaid principal amount of the Tendered Bonds plus accrued and unpaid interest, if any, thereon to, but not including, the Tender Date, and without premium (the "*Purchase Price*"). In the event that the Tender Date is also an Interest Payment Date for the Bonds, interest on the Tendered Bonds to but not including the Tender Date shall be paid in the ordinary fashion and shall not constitute part of the Purchase Price.

^{*} Business Day shall have the meaning ascribed thereto by the Trust Indenture dated as of January 1, 2008 under which the Bonds are issued.

Tendered Bonds

Tendered Principal Amount	Face Amount	Bond Numbers	CUSIP Numbers
\$	\$		

THE UNDERSIGNED RECOGNIZES THAT THIS TENDER OF THE TENDERED BONDS IS IRREVOCABLE AND, THEREFORE, THAT FROM AND AFTER THE DUE AND PROPER EXECUTION OF THIS TENDER NOTICE AND ITS TIMELY DELIVERY TO THE TENDER AGENT, THE UNDERSIGNED SHALL HAVE NO FURTHER RIGHTS OR INTERESTS IN AND TO THE TENDERED BONDS OTHER THAN THE RIGHT TO RECEIVE PAYMENT OF THE PURCHASE PRICE OF THE TENDERED BONDS ON THE TENDER DATE FROM THE MONEYS IN THE PURCHASE FUND ESTABLISHED WITH AND HELD BY THE TENDER AGENT FOR SUCH PURPOSE UPON SURRENDER OF THE TENDERED BONDS TO THE TENDER AGENT. TENDERED BONDS MUST BE SURRENDERED AT THE OFFICE OF THE TENDER AGENT BY 10:00 A.M., NEW YORK CITY TIME, ON THE TENDER DATE IN ORDER TO RECEIVE PAYMENT FROM THE BOND PURCHASE FUND OF THE PURCHASE PRICE ON THE TENDER DATE.

THE UNDERSIGNED HEREBY IRREVOCABLY APPOINTS THE TENDER AGENT AS HIS DULY AUTHORIZED ATTORNEY AND DIRECTS THE TENDER AGENT TO EFFECT THE TRANSFER OF THE TENDERED BOND(S), OR, IN THE CASE OF BONDS ONLY A PORTION OF WHICH IS TENDERED FOR PURCHASE, TO EXCHANGE SUCH BOND(S) INTO (I) BOND(S) REPRESENTING THAT PORTION OF THE BOND(S) BEING TENDERED AND (II) BOND(S) REPRESENTING THAT PORTION OF THE BOND(S) NOT BEING TENDERED, IN FULLY REGISTERED FORM REGISTERED IN THE SAME NAME(S) AS THE BOND(S) TENDERED FOR PURCHASE ON THE TENDER DATE.

Dated:

Signature(s) of Registered Owner(s)
of the Tendered Bonds

Street City State Zip

Area Code Telephone Number

Signature Guaranteed

Federal Taxpayer
Identification Number

TO: Manufacturers and Traders Trust Company, as Trustee
One M&T Plaza, 8th Floor
Buffalo, New York 14203-2391
Attention: Corporate Trust Services

BONDHOLDER'S NOTICE OF TENDER

\$40,000

CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY
TAXABLE VARIABLE RATE DEMAND CIVIC FACILITY REVENUE BONDS
(UNION GRADUATE COLLEGE PROJECT- LETTER OF CREDIT SECURED), SERIES 2008B

The undersigned registered owner of the bonds described below (the "*Tendered Bonds*") does hereby irrevocably tender the Tendered Bonds to Manufacturers and Traders Trust Company, or its successor as Tender Agent (the "*Tender Agent*") with respect to the Taxable Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Taxable Series 2008B in the aggregate principal amount of \$40,000 (the "*Bonds*"), for acquisition by the Tender Agent seven (7) days from the date of receipt of this notice (which shall be deemed received on a day only if received by 1:00 p.m., New York City time, that day) or if such day is not a Business Day,* the next succeeding Business Day (the "*Tender Date*"). Tender notices received by the Tender Agent after the close of business, New York City time, on any Business Day will be deemed to have been received on the next succeeding Business Day. The Purchase Price of Tendered Bonds which is to be paid on the Tender Date upon surrender of the Tendered Bonds to the Tender Agent shall be the unpaid principal amount of the Tendered Bonds plus accrued and unpaid interest, if any, thereon to, but not including, the Tender Date, and without premium (the "*Purchase Price*"). In the event that the Tender Date is also an Interest Payment Date for the Bonds, interest on the Tendered Bonds to but not including the Tender Date shall be paid in the ordinary fashion and shall not constitute part of the Purchase Price.

* Business Day shall have the meaning ascribed thereto by the Trust Indenture dated as of January 1, 2008 under which the Bonds are issued.

Tendered Bonds

Tendered Principal Amount	Face Amount	Bond Numbers	CUSIP Numbers
\$	\$		

THE UNDERSIGNED RECOGNIZES THAT THIS TENDER OF THE TENDERED BONDS IS IRREVOCABLE AND, THEREFORE, THAT FROM AND AFTER THE DUE AND PROPER EXECUTION OF THIS TENDER NOTICE AND ITS TIMELY DELIVERY TO THE TENDER AGENT, THE UNDERSIGNED SHALL HAVE NO FURTHER RIGHTS OR INTERESTS IN AND TO THE TENDERED BONDS OTHER THAN THE RIGHT TO RECEIVE PAYMENT OF THE PURCHASE PRICE OF THE TENDERED BONDS ON THE TENDER DATE FROM THE MONEYS IN THE PURCHASE FUND ESTABLISHED WITH AND HELD BY THE TENDER AGENT FOR SUCH PURPOSE UPON SURRENDER OF THE TENDERED BONDS TO THE TENDER AGENT. TENDERED BONDS MUST BE SURRENDERED AT THE OFFICE OF THE TENDER AGENT BY 10:00 A.M., NEW YORK CITY TIME, ON THE TENDER DATE IN ORDER TO RECEIVE PAYMENT FROM THE BOND PURCHASE FUND OF THE PURCHASE PRICE ON THE TENDER DATE.

THE UNDERSIGNED HEREBY IRREVOCABLY APPOINTS THE TENDER AGENT AS HIS DULY AUTHORIZED ATTORNEY AND DIRECTS THE TENDER AGENT TO EFFECT THE TRANSFER OF THE TENDERED BOND(S), OR, IN THE CASE OF BONDS ONLY A PORTION OF WHICH IS TENDERED FOR PURCHASE, TO EXCHANGE SUCH BOND(S) INTO (I) BOND(S) REPRESENTING THAT PORTION OF THE BOND(S) BEING TENDERED AND (II) BOND(S) REPRESENTING THAT PORTION OF THE BOND(S) NOT BEING TENDERED, IN FULLY REGISTERED FORM REGISTERED IN THE SAME NAME(S) AS THE BOND(S) TENDERED FOR PURCHASE ON THE TENDER DATE.

Dated:

Signature(s) of Registered Owner(s)
of the Tendered Bonds

Street

City

State

Zip

Area Code

Telephone Number

Signature Guaranteed

Federal Taxpayer
Identification Number

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

January __, 2008

Re: \$5,660,000 Tax-Exempt Variable Rate Demand Civic Facility Revenue Bonds, Series 2008A (Union Graduate College – Letter of Credit Secured)
\$40,000 Taxable Variable Rate Demand Civic Facility Revenue Bonds, Series 2008B (Union Graduate College – Letter of Credit Secured)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance on the date hereof by the City of Schenectady Industrial Development Agency (the “*Issuer*”) of its Tax-Exempt Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Series 2008A (the “*Series 2008A Bonds*”) and its Taxable Variable Rate Demand Civic Facility Revenue Bonds (Union Graduate College Project – Letter of Credit Secured), Series 2008B (the “*Series 2008B Bonds*” and together with the Series 2008A Bonds, the “*Bonds*”).

The Bonds are authorized to be issued pursuant to (i) Title I of Article 18-A of the General Municipal Law of the State of New York (the “*State*”), as amended, and Section 903-e of the State General Municipal Law, as amended from time to time (together, the “*Act*”); (ii) a certain trust indenture dated as of January 1, 2008 (the “*Indenture*”) by and between the Issuer and Manufacturers and Traders Trust Company, as trustee (the “*Trustee*”); and (iii) resolutions adopted by the Issuer on November 21, 2007 (the “*Inducement Resolution*”) and January 23, 2008 (the “*Bond Resolution*”) (the Inducement Resolution and the Bond Resolution are collectively referred to herein as the “*Resolution*”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

The Bonds are being issued in connection with a project (the “*Project*”) undertaken by the Issuer at the request of Union Graduate College, a not-for-profit education corporation organized and existing in the State (the “*Institution*”) consisting of (A) (1) the acquisition of an interest in land located at 80 Nott Terrace in the City of Schenectady, Schenectady County, New York (the “*Land*”), (2) the construction of an approximately 24,000 square foot building for use as faculty and administrative office space as well as student registration, advisement and financial aid (the “*Facility*”), and (3) the acquisition and installation therein and thereon of certain machinery and equipment (the “*Equipment*”) (the Land, the Facility and the Equipment being collectively referred to as the “*Project Facility*”); (B) the financing of all or a portion of the costs of the foregoing by the issuance of the Bonds; (C) the granting of certain other financial assistance in the form of exemptions from real estate transfer taxes and mortgage recording taxes; and (D) the sale of the Project Facility to the Institution pursuant to the terms of an installment sale agreement dated as of January 1, 2008 (the “*Sale Agreement*”) by and between the Issuer and the Institution.

The Bonds are dated the date hereof, are issued as fully registered bonds without coupons and mature and bear interest as set forth therein. The Bonds are subject to redemption prior to maturity and in certain circumstances mandatory tender in the manner and upon the terms and conditions set forth therein and in the Indenture. The principal and Purchase Price, if any, of and interest on the Bonds are payable from installment purchase payments relating to the Project Facility to be made by the Institution under the Sale Agreement.

As security for the Bonds, the Institution has entered into a reimbursement agreement dated as of January 1, 2008 (the “*Reimbursement Agreement*”) with Manufacturers and Traders Trust Company (the “*Bank*”),

pursuant to which the Bank has issued in favor of the Trustee the Letters of Credit. The Issuer has assigned its interest in the Sale Agreement (other than the Reserved Rights) to the Trustee and the Bank as provided in the Indenture and in a pledge and assignment dated as of January 1, 2008 (the "*Pledge and Assignment*"). Pursuant to a mortgage dated as of January 1, 2008 (the "*Mortgage*") from the Issuer and the Institution to the Bank, the Issuer and the Institution granted a mortgage on and security interest in the Project Facility to the Bank. Pursuant to a general assignment of rents dated as of January 1, 2008 (the "*Assignment of Rents*") from the Issuer and the Institution to the Bank, the Issuer and the Institution have assigned to the Bank all leases affecting the Project Facility and the rents payable thereunder.

We have examined a specimen of the Series 2008A Bonds and the Series 2008B Bonds and executed counterparts of the Indenture, the Sale Agreement, the Pledge and Assignment, the Letters of Credit and a certain tax compliance agreement dated the date hereof (the "*Tax Compliance Agreement*") executed by the Institution and the Issuer relating to the Series 2008A Bonds.

You have received (A) an opinion of even date herewith of Hodgson Russ LLP, counsel to the Institution, upon which you are relying as to the validity and enforceability of the Sale Agreement and the Tax Compliance Agreement as they relate to the Institution, and (B) an opinion of even date herewith of Lemery Greisler LLC, counsel to the Bank, upon which you are relying as to the validity and enforceability of the Letters of Credit. With respect to the due authorization, execution and delivery by Manufacturers and Traders Trust Company (both in its corporate capacity as signatory of the Indenture and in its capacity as Trustee) of the agreements to which it is a party, we have relied on the opinion of Bond, Schoeneck and King, PLLC, counsel to the Trustee. No opinion as to such matters is expressed herein.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including documents contained in the record of proceedings with respect to the issuance of the Bonds) as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, without having any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

We have not reviewed the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent stated in the Official Statement) and we express no opinion relating thereto.

The Internal Revenue Code of 1986, as amended (the "*Code*") imposes various requirements which must be met upon and subsequent to the issuance and delivery of the Series 2008A Bonds in order that interest on the Series 2008A Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2008A Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Series 2008A Bonds to be includable in gross income for purposes of federal income tax, possibly from the date of issuance of the Series 2008A Bonds. The Issuer and the Institution have covenanted in the Tax Compliance Agreement to comply with certain procedures, and they have made certain representations and certifications designed to assure satisfaction of the requirements of the Code. Our opinion in paragraph (vii) hereinbelow assumes compliance with such covenants and the accuracy, in all material respects, of such representations and certifications. We express no opinion with respect to the exclusion from gross income for federal income tax purposes of interest on the Series 2008A Bonds in the event that any such representations and certifications are materially inaccurate or that there occurs a failure to comply with such covenants.

Based upon the foregoing, it is our opinion that:

- (i) The Issuer is a duly created and validly existing corporate governmental agency constituting a public benefit corporation under the laws of the State.
- (ii) The Issuer has the right and power under the Act to (a) issue, execute, sell and deliver the Bonds in connection with the Project; (b) assign its interest in the Sale Agreement (other than the Reserved Rights) to the Trustee and the Bank as provided in the Indenture and the Pledge and Assignment; (c) mortgage its interest in the Project Facility pursuant to the Mortgage; and (d) enter into and perform its obligations under the Indenture, the Sale Agreement, the Pledge and Assignment, the Mortgage, the Assignment of Rents and the Tax Compliance Agreement.
- (iii) The Resolution has been duly and lawfully adopted by the Issuer and is in full force and effect.
- (iv) The Indenture, the Sale Agreement, the Pledge and Assignment, the Mortgage, the Assignment of Rents and the Tax Compliance Agreement have been duly authorized and lawfully executed and delivered by the Issuer and (assuming the authorization, execution and delivery by the other respective parties thereto) are valid and legally binding obligations of the Issuer enforceable against it in accordance with their respective terms.
- (v) The Bonds have been duly authorized, executed, delivered and issued for value by the Issuer in conformity with all applicable laws and the provisions of the Indenture and the Resolution and constitute valid and legally binding special obligations of the Issuer enforceable against it in accordance with their terms. The Bonds are payable solely from the amounts payable under the Letters of Credit and payments to be made by the Institution pursuant to the Sale Agreement. The Indenture creates a valid pledge of and a valid Lien upon the Revenues (as defined in the Indenture), except as set forth therein, and subject only to the provisions of the Indenture permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Indenture.
- (vi) The Bonds do not constitute a debt of the State or of any political subdivision thereof, including, without limitation, the City of Schenectady, and neither the State nor any political subdivision thereof, including, without limitation, the City of Schenectady, will be liable thereon.
- (vii) Under existing law, interest on the Series 2008A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. No opinion is expressed as to such exclusion from gross income of interest accruing on any Series 2008A Bond on or after the Fixed Interest Rate Conversion Date.
- (viii) Under existing law, interest on the Bonds is exempt from personal income taxes of the State and its political subdivisions (including City of New York and City of Yonkers), and the Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except for estate or gift taxes and taxes on transfers.

In rendering our opinion, we wish to advise you that:

- (a) The enforceability against the Issuer of the Bonds, the Indenture, the Sale Agreement, the Pledge and Assignment and the Tax Compliance Agreement may be limited by any applicable bankruptcy,

insolvency or other similar law or enactment now existing or hereafter enacted by the State or the federal government affecting the enforcement of creditors' rights generally.

(b) Equitable remedies with respect to any of the documents described in paragraph (a) above (and with respect to any other documents) lie in the discretion of a court and may not be available.

(c) We express no opinion as to the priority of any interest in or the ownership of any other interest in any parcel of the land included within the Project Facility, or the sufficiency of the description of any such parcel in the Indenture, the Sale Agreement or the Tax Compliance Agreement, or the existence of any Liens or encumbrances on the Project Facility.

(d) Certain requirements and procedures contained or referred to in the Indenture and certain other documents delivered in connection with the issuance of the Bonds 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 Bond Counsel. We express no opinion as to the Bonds or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than Hiscock & Barclay, LLP.

We call attention to the fact that we have not been requested to examine, and have not examined, any documents or information relating to the Institution, other than documents contained in the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be, supplied to any purchaser of the Bonds.

We have examined the executed Bonds numbered RA-1 and RB-1, in fully registered form and, in our opinion, the forms of the Bonds and the execution thereof are regular and proper.

Very truly yours,



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