NEW ISSUE—FULL BOOK ENTRY

RATINGS: Moody's: Aaa/P-1
S&P: AA+/A-1+
Fitch: AA/F1+
(See "RATINGS" herein)

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

$75,000,000

COUNTY OF NASSAU, NEW YORK

MULTI-MODAL GENERAL OBLIGATION BONDS, SERIES 2007

$35,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007 SERIES A

Dated: Date of Delivery **Due: December 1, 2023**

$40,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007 SERIES B

Dated: Date of Delivery **Due: December 1, 2024**

The Bonds are general obligations of the County of Nassau, New York (the "County"), for the payment of which the County has pledged its faith and credit. All of the taxable real property within the County is subject to the levy of ad valorem taxes without limitation as to rate or amount to pay both the principal of and interest on the Bonds.

The Bonds will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Initial purchases will be made in book-entry-only form in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof. Purchasers will not receive physical certificates representing their ownership interest in the Bonds. Principal and interest will be paid by the County to DTC which will in turn remit same to its Participants as described herein, for subsequent distribution to the beneficial owner of the Bonds. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

The Bonds initially will be in the Weekly Mode. The Bonds may be converted at the option of the County to a different interest rate mode, upon the terms and conditions described herein. The Bonds will bear interest in the Weekly Mode from and including their date of delivery to but excluding the date on which the applicable Mode is changed to another Mode, in which event the Bonds will be subject to mandatory tender for purchase on such date at a purchase price equal to the principal amount thereof, plus accrued interest. This Official Statement, in general, describes the Bonds during the Weekly Mode.

While the Bonds are in the Weekly Mode, interest is payable on the first business day of each month commencing January 2, 2008 based on the actual number of days elapsed in a 365-day year. The interest rate will be determined by the Remarketing Agent each Wednesday and will remain in effect from such Wednesday through the Tuesday of the succeeding week, as more fully described herein.

Bonds in the Weekly Mode are subject to tender for purchase at a price equal to the principal amount plus accrued interest at the option of the holder thereof, on any Business Day.

Scheduled payments of principal and interest on the Bonds and the purchase price of Bonds tendered for purchase and not remarketed will be payable by draws on two irrevocable direct pay letters of credit (each an "LOC" and, collectively, the "LOCs") of the following financial institution ("the Letter of Credit Provider" or the "LOC Provider"):

Bank of America, N. A.

The Bonds are offered when, as and if issued and received by the Purchasers and subject to the approval of the legality thereof by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the County by the Law Offices of Joseph C. Reid, P.A., New York, New York, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Hiscock & Barclay LLP, Albany, New York. Certain legal matters will be passed upon for the LOC Provider by its counsel, Nixon Peabody LLP, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December 13, 2007.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE COUNTY FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12.

December 11, 2007

MERRILL LYNCH & CO.

$75,000,000

COUNTY OF NASSAU, NEW YORK

MULTI-MODAL GENERAL OBLIGATION BONDS, SERIES 2007

Last day of Initial Rate: Tuesday, December 18, 2007

First Weekly Rate Determination Date: Wednesday, December 19, 2007

$35,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007 SERIES A

MATURITY: DECEMBER 1, 2023

CUSIP: 63165N R34

$40,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007 SERIES B

MATURITY: DECEMBER 1, 2024

CUSIP: 63165N R42

COUNTY OF NASSAU, NEW YORK

COUNTY EXECUTIVE
Thomas R. Suozzi

COUNTY LEGISLATURE
Presiding Officer
Judith A. Jacobs

Kevan M. Abrahams
Lisanne Altmann
Francis X. Becker, Jr.
John J. Ciotti
Roger H. Corbin
David W. Denenberg
Dennis Dunne, Sr.
Denise Ford
Norma L. Gonsalves
Edward P. Mangano
David Mejias
Vincent T. Muscarella
Richard J. Nicolello
Joseph K. Scannell
Peter J. Schmitt
Jeffrey W. Toback
Wayne H. Wink, Jr.
Diane Yatauro

COUNTY COMPTROLLER
Howard S. Weitzman

DEPUTY COUNTY EXECUTIVE FOR MANAGEMENT, BUDGET AND FINANCE
Thomas W. Stokes

COUNTY TREASURER
Steven D. Conkling

BUDGET DIRECTOR
Elissa Tse Iannicello

COUNTY ATTORNEY
Lorna B. Goodman, Esq.

FINANCIAL ADVISOR
Public Financial Management, Inc.

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP

DISCLOSURE COUNSEL
Law Offices of Joseph C. Reid, P.A.

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No dealer, broker, salesman or other person has been authorized by the County 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 County This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale The information set forth herein has been obtained by the County from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof

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

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE ORDINANCES OR OTHER PROCEEDINGS OF THE COUNTY BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS ADDITIONALLY, WHILE THE BONDS MAY BE EXEMPT FROM THE REGISTRATION AND QUALIFICATION PROVISIONS OF THE SECURITIES LAWS OF THE VARIOUS STATES, SUCH EXEMPTION CANNOT BE REGARDED AS A RECOMMENDATION OF THE BONDS NEITHER THE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE

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

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OFFICIAL STATEMENT

OF THE

COUNTY OF NASSAU, NEW YORK

RELATING TO

$75,000,000

COUNTY OF NASSAU, NEW YORK

MULTI-MODAL GENERAL OBLIGATION BONDS, SERIES 2007

$35,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007 SERIES A

Dated: Date of Delivery **Due: December 1, 2023**

$40,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007 SERIES B

Dated: Date of Delivery **Due: December 1, 2024**

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page, and Appendices hereto, has been prepared by the County of Nassau (the "County"), in the State of New York (the "State"), and provides certain information in connection with the sale by the County of $75,000,000 aggregate principal amount of Multi-Modal General Obligation Bonds, 2007 Series, dated the Date of Delivery and consisting of $35,000,000 Multi-Modal General Obligation Bonds, 2007 Series A maturing on December 1, 2023 (the "Series A Bonds") and $40,000,000 Multi-Modal General Obligation Bonds, 2007 Series B maturing on December 1, 2024 (the "Series B Bonds" and, with the Series A Bonds, collectively, the "Bonds").

Purpose of the Issue

The Bonds are issued pursuant to the Constitution and statutes of the State, including among others, the Local Finance Law and the County Charter (the "County Charter"). The Bonds are being issued to fund various public purposes, certain property tax refunds, judgments or settlements and to pay the costs of issuance. The Bonds will be general obligations of the County for the payment of which the County has pledged its faith and credit. All of the taxable real property within the County is subject to the levy of ad valorem taxes without limitation as to rate or amount to pay both the principal of and interest on the Bonds.

Authorization of Issuance

The Bonds have been authorized and are to be issued pursuant to the Constitution and laws of the State including the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, various ordinances adopted by the County Legislature and approved by the County Executive pursuant to the Local Finance Law, the County Charter and the County Administrative Code, other related proceedings and determinations and pursuant to a Bond Determination Certificate. See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE", herein. The Bank of New York (the "Fiscal Agent") is serving as tender agent, registrar and paying agent under the Bond Determination Certificate.

The Bonds

The Bonds will be issued as multi-modal bonds, initially in the Weekly Mode and in denominations of $100,000 or any whole multiple of $5,000 in excess thereof. The Bonds may be converted at the option of the County to a different interest rate mode, upon terms and conditions described herein. The Bonds will bear interest in a Weekly Mode from and including their date of delivery to but excluding the date on which the applicable Mode is changed to another Mode, in which event the Bonds will be subject to mandatory tender for purchase on such date at a purchase price equal to the principal amount thereof, plus accrued interest. While the Bonds are in the Weekly Mode, interest is payable on the first business day of each month commencing January 2, 2008 based on the actual number of days elapsed in a 365-day year. The Bonds will initially bear interest at a rate determined on or prior to the date of their delivery and effective through the following Tuesday. Thereafter, the interest rate will be determined by the Remarketing Agent each Wednesday and will remain in effect from each Wednesday through the Tuesday of the succeeding week, as more fully described herein.

Bonds in the Weekly Mode are subject to tender for purchase at a purchase price equal to the principal amount plus accrued interest at the option of the holder thereof, on any Business Day.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

Security for the Bonds

The Bonds are general obligations of the County, have been duly authorized and, when executed and delivered, will constitute legal, valid and binding obligations of the County. The County has pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, the County is authorized to levy on all taxable real property such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

The Bonds do not constitute debt of NIFA or the State, and neither shall be liable on the Bonds.

Letters of Credit

Scheduled payments of principal and interest on the Bonds and the purchase price of Bonds tendered for purchase and not remarketed will be payable by draws on two irrevocable direct pay letters of credit ("LOC") of Bank of America, N.A. (the "LOC Provider"). See "THE BONDS – Weekly Mode" and "LETTERS OF CREDIT" herein.

THE COUNTY

The County is located on Long Island and has a population of over 1.3 million. It is bordered to the west by New York City borough of Queens, to the east by Suffolk County, to the north by Long Island Sound and to the south by the Atlantic Ocean. The County includes three towns, two cities, 64 incorporated villages 56 school districts and various special districts that provide fire protection, water supply and other services. The County was formed on January 1, 1899 and since 1938 has operated under the County Charter. The County Charter was the first of its type in the State and established a form of government headed by a County Executive and a Board of Supervisors.

The County Executive heads the executive branch of County government. The legislative power of the County is vested in the 19-member County Legislature, which superseded the Board of Supervisors in 1996. The County Comptroller has the authority to audit the records of the County departments and special districts, to examine and approve all payment vouchers including payroll, to ascertain that funds to be paid are both appropriated and available and to report the financial status of the County to the County Legislature. The County Treasurer, the County's chief fiscal officer, receives and has custody of all County funds (unless otherwise provided by law) including County taxes, collects most revenues and is responsible for the issuance of all County debt.

The County Executive and the County Comptroller are each elected for four-year terms and the members of the County Legislature are elected for two-year terms. The County Treasurer is appointed by the County Executive and confirmed by the County Legislature.

For a description of the County and certain economic factors affecting the County, see "APPENDIX A – INFORMATION ABOUT THE COUNTY" herein.

County Officials

County Executive – Thomas R. Suozzi

Thomas R. Suozzi was first elected as County Executive on November 6, 2001 and sworn into office on January 1, 2002. Mr. Suozzi was re-elected on November 8, 2005. He lives in Glen Cove, New York, where he was born and raised. He graduated from Chaminade High School, Boston College, and Fordham University Law School.

Mr. Suozzi has been an auditor with one of the world's largest accounting firms, a commercial litigator for a major Wall Street law firm and a law clerk to the Chief Justice of the United States District Court for the Eastern District of New York. In 1993, Mr. Suozzi was elected Mayor of the City of Glen Cove and served four terms. Mr. Suozzi is the recipient of many awards for his efforts as an environmentalist and in labor relations and was named a public official of the year by Governing Magazine in November 2005.

County Legislators

Kevan M. Abrahams	Edward P. Mangano
Lisanne Altmann	David Mejias
Francis X. Becker, Jr.	Vincent T. Muscarella
John J. Ciotti	Richard J. Nicolello
Roger H. Corbin	Joseph K. Scannell
David W. Denenberg	Peter J. Schmitt
Dennis Dunne, Sr.	Jeffrey W. Toback
Denise Ford	Wayne H. Wink, Jr.
Norma L. Gonsalves	Diane Yatauro
Judith A. Jacobs	

Presiding Officer, County Legislature – Judith A. Jacobs

Judith A. Jacobs serves as Presiding Officer of the County Legislature. Ms. Jacobs was first elected to the County Legislature in 1995, and on November 6, 2007 she was re-elected to a seventh term. Presiding Officer Jacobs is chair of the Rules and Procedures Committee and vice-chair of the Legislative Budget Review Committee. In addition, she serves as a member of the Planning Development and the Environment Committee and the Health and Social Services Committee.

Ms. Jacobs has been a resident of Woodbury, New York for 35 years. A former teacher in the Elmont, New York school district, she received her Bachelor of Arts Degree from Hunter College where she also did graduate work. Ms. Jacobs was selected to the 2002 and 2004 classes of the Top 50 Women in Long Island by the Long Island Business News. She also served as president of the South Woodbury Taxpayers Association and as a trustee at Syosset Community Hospital.

County Comptroller – Howard S. Weitzman

Howard Weitzman was elected as Nassau County's 11th Comptroller on November 6, 2001 and sworn into office in January 2002. Mr. Weitzman was re-elected on November 8, 2005. A graduate of Brooklyn Technical High School and Queens College, he also pursued management studies at Stanford University and Baruch College. He has resided in the County for more than 30 years.

A certified public accountant, Mr. Weitzman built and managed one of the largest accounting firms in the country specializing in health care before merging it into KPMG where he served as a national healthcare partner. After leaving public accounting, he founded and ran a public pharmaceutical company and a private medical finance company. Mr. Weitzman's prior public service career includes six years as Mayor of the Village of Great Neck Estates. He has also served as a member of the County's Board of Assessors, a village trustee, a director of the Water Authority of Great Neck North and as vice president of the Great Neck Village Officials Association.

Deputy County Executive for Management, Budget and Finance – Thomas W. Stokes

Thomas W. Stokes has served as Deputy County Executive for Management, Budget and Finance since February 2006. He was the County's Chief Financial Officer and Strategist for the County Department of Health & Human Services from 2002-2005 after working with his predecessor on the County's financial turnaround plan in early 2002. In 1995, Mr. Stokes joined Ernst & Young LLP's health care consulting division and rose to the rank of Assistant Director of Finance by 1997, prior to Cap Gemini's purchase of Ernst & Young's consulting division in 1999. As Assistant Director of Finance and Operations with Cap Gemini Ernst & Young LLC from 1999-2001, he managed the finance and operations for Strategy & Transformation, e-Commerce and New Business Ventures divisions. Mr. Stokes holds a bachelor's degree in business administration from the State University of New York and is currently pursuing an MBA in corporate finance from Dowling College.

County Treasurer – Steven D. Conkling

Steven D. Conkling was appointed County Treasurer in March 2006. Prior to his appointment as Treasurer, Mr. Conkling worked in investment banking, specializing in mergers & acquisitions. From 2001–2005, Mr. Conkling was an Investment Vice President in Prudential Financial Inc.'s Corporate Mergers & Acquisitions Group, responsible for executing domestic and international transactions. Prior to joining Prudential, Mr. Conkling worked at Chase Manhattan Corporation. From 1994-2001, he was a Vice President in the Global Mergers & Acquisitions Group of Chase Securities Inc. As a member of Chase's Corporate Finance Department from 1988-1994, Mr. Conkling assisted in managing and executing the bank's mergers & acquisitions, capital markets activities, and holding company liquidity.

Mr. Conkling earned an M.B.A. from New York University Stern School of Business and a B.S. in Finance and Economics from Boston College.

County Budget Director - Elissa Tse Iannicello

Ms. Iannicello joined the Office of Management and Budget ("OMB") in August 2003 and was named Budget Director in November 2007. Prior to becoming Budget Director, she was the OMB Finance and Operations Unit Director. Her responsibilities include developing and implementing the annual budget and multi-year financial plan, monthly monitoring of departmental expenditures and revenues, providing fiscal support to departments via the processing of financial transactions, conducting monthly performance measurement of the County departments, and addressing policy issues and recommending operational improvements. In addition, she is the point person for all interaction between OMB and the fiscal monitors, ratings agencies and State and local entities. This liaison work includes directing interaction and presentations to the ratings agencies and other counties in the State, and leading all monthly fiscal monitoring meetings. Prior to her employment with the County, she was employed at Coty US LLC from 2000 in various positions, including brand manager. Other prior experience includes five years with AIG from 1995 to 2000, including three years as a senior financial analyst. She graduated from Hofstra University with a bachelor's degree in Marketing in 1993 and an M.B.A. with a focus in Banking and Finance from Dowling College in 2003.

County Attorney – Lorna Bade Goodman

Lorna Bade Goodman was appointed as County Attorney in January 2002. As the chief legal officer of the County, Ms. Goodman is responsible for representing the County, its officers and employees in virtually every civil legal action brought on behalf of or against the County, and for prosecuting juveniles in Family Court. Ms. Goodman oversees all legal aspects relating to the County's contracts, acts as legal advisor for the County's bond offerings, and provides legal counsel to the executive and legislative branches of the County government. Prior to Ms. Goodman's appointment as County Attorney, she served as the Senior Assistant Corporation Counsel for Affirmative Litigation in the New York City Law Department from 1994 through 2001.

Ms. Goodman earned an A.B. degree from Vassar College in 1963 and a J.D. degree from Hofstra Law School in 1975.

County Government

County Executive

The County Executive is the chief administrator of County government, supervising the performance of all County agencies and departments including, but not limited to OMB, law enforcement, economic development, planning, social services, public works and parks. The County Executive appoints department heads, commissioners, and other employees. In addition, the County Executive proposes to the County Legislature the County's operating budget and capital budget (pursuant to the County Charter) and multi-year financial plans (pursuant to the NIFA Act, and the County Charter beginning after the conclusion of the interim finance period, as described herein). See "APPENDIX A – INFORMATION ABOUT THE COUNTY" herein.

The current County Executive has established a government management organization structure based on the concept of vertical accountability, with each line of managerial responsibility referred to as a "vertical." There are five verticals: Public Safety; Health and Human Services; Parks, Public Works and Partnerships; Management, Budget and Finance; and Economic Development, as well as a group of departments that support all verticals such as the Office of the County Attorney, Information Technology and Human Resources, known as Shared Services. A Deputy County Executive is responsible for the management of each vertical and for the departments within it. The County Executive believes that the vertical organization structure is critical in developing managerial accountability and ensuring a satisfactory level of service within the context of fiscal discipline.

County Legislature

Pursuant to the County Charter, the 19-member County Legislature meets to consider the approval of County laws, ordinances and resolutions, including those relating to the operating budget, the capital plan and capital budget, certain contracts, the appointment of department heads and tax rates and levies. See "Budget Process and Controls", within this section. The County Legislature is also empowered to hold public investigative hearings. Ordinances, resolutions and local laws require at least ten affirmative votes for passage, except that bond ordinances and certain other actions require at least thirteen votes. County Legislators serve part-time, for two-year terms.

County Financial Management

The Deputy County Executive for Management, Budget and Finance is responsible for all budget and finance matters in the County - overseeing OMB, the Treasury Department, and the Purchasing Department - and is the County Executive's principal liaison with the County Comptroller, the Department of Assessment and the Assessment Review Commission ("ARC").

Key Departments

OMB is primarily responsible for developing the County's operating budgets and capital budgets, multi-year financial plans, as well as quarterly and monthly financial reports. OMB also works with departments to develop smart government initiatives, the status of which budget examiners review monthly.

OMB assigns a deputy budget director to each key County operational area or vertical to serve as its chief financial officer, providing expertise on budget and finance matters such as capital planning and revenue management.

OMB is also responsible for financial reporting and performance measurement used by the County's management, departments, fiscal monitors, investors and the public.

The Treasury Department is responsible for managing the County's cash receipts and disbursements and maintaining the County's bank accounts. The Treasury Department coordinates with the Comptroller's office to ensure that all transactions are recorded in a timely fashion and the County's books and records are accurate and complete. In addition, the County Treasurer is responsible for the issuance of all County debt obligations, and investing excess cash on a daily basis. The Treasury Department tracks the use of bond and note proceeds, and the investment of unexpended funds, to monitor potential arbitrage rebate liability.

The Purchasing Department purchases all materials, supplies, and equipment for the County, except for the Board of Elections, pursuant to applicable procurement procedures, and is responsible for price and vendor selections, placement of purchase orders and contract administration.

Financial Policies

Debt Policy. The goals and objectives of the County's debt management policy, as included in the 2008-2011 Multi-Year Financial Plan are as follows: (1) to guide the County and its managers in policy and debt issuance decisions; (2) to maintain appropriate capital assets for present and future needs; (3) to promote sound financial management; (4) to protect and enhance the County's credit rating; (5) to ensure the legal and prudent use of the County's debt issuance authority; and, (6) to evaluate debt issuance options.

Debt issuance shall be planned to achieve relatively level debt service while matching debt service to the useful life of facilities. The County shall avoid the use of bullet or balloon maturities except in those instances where these maturities serve to make existing overall debt service level. The County may elect a more rapid or other debt service structure, such as declining debt service (i.e. equal principal amortization) at its discretion.

Fund Balance Policy. The County Executive has established a fund balance and reserve policy that draws upon the recommendations of the Government Finance Officers Association, the National Advisory Council on State and Local Government Budgeting and the credit rating agencies. The policy outlines an approach to the accumulation and use of unreserved fund balance and reserve funds that takes into consideration issues that are specific to the County. It identifies an array of reserve funds that helps the County stabilize its budget and finance important policy objectives. The policy sets recommended levels of unreserved fund balance of no less than 4% and no more than 5% of normal prior-year expenditures made from its general fund and the County-wide special revenue funds. Additionally, the policy calls for maintaining a combined level of financial resources in its unreserved fund balance and its reserve funds and no less than 5% and a target of 7.5% of normal prior-year expenditures. The policy outlines the conditions under which the County's unreserved fund balance ought to be replenished, and it identifies the appropriate uses for its unreserved fund balance, its reserve funds, and any projected operating surpluses. The County's current fund balance policy was first adopted as part of the 2006-2009 Multi-Year Financial Plan. As of December 31, 2006, the County's unreserved fund balance totaled \$104.1 million, or 4.78% of the County's prior year expenditures. As of December 31, 2006, the County's combined unreserved fund balance and reserves totaled \$176.1 million, or 8.09% of the County's prior year expenditures.

Investment Policy. Under the law of the State, the County is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State (or public authorities of the State as may be provided by law); (5) with the approval of the State Comptroller, tax anticipation notes and revenue anticipation notes issued by any municipality (other than the County), school district or district corporation in the State; (6) certain certificates of participation issued on behalf of political subdivisions of the State; and (7) in the case of County monies held in certain reserve funds established pursuant to law, obligations issued by the County. The law further requires that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities (or a pro rata portion of a pool of eligible securities), an eligible surety bond or an eligible letter of credit, as those terms are defined in the law. From time to time, the County Legislature adopts resolutions setting forth the County's investment policy in accordance with the above statutory limitations, which policy currently substantially mirrors (1) through (7) above. The primary objectives of the County's investment program are to: (1) comply with all applicable provisions of law; (2) safeguard the principal of all deposits and investments; (3) provide sufficient liquidity to ensure that monies are available to meet expenditures as they come due; and (4) obtain the maximum rate of return that is consistent with the preceding objectives. The County's investment policy authorizes the County to enter into repurchase agreements, subject to certain restrictions.

Swap Policy. State law does not empower the County to enter into interest rate exchange agreements, or swaps. NIFA and the Nassau Health Care Corporation ("NHCC") are statutorily empowered, under certain circumstances, to enter into swaps. NIFA and NHCC have executed several LIBOR-based swaps to hedge their variable rate debt exposure and to enhance the savings expected to be generated by various refundings of outstanding debt, which conform to the County's swap policy described below.

To the extent that the swaps into which NIFA has entered do not perform as expected, the County's financial position will be positively or negatively affected. Pursuant to the Stabilization Agreement (as defined herein), the interest and net swap payments are netted against the service and other payments the County makes to NHCC. Accordingly, NHCC bears the exposure for swaps that underperform expectations and benefits in the event the swaps outperform expectations.

The County utilizes a swap policy to guide its decisions regarding swaps. The policy identifies six reasons for entering into swaps: optimize the County's capital structure; achieve appropriate asset/liability match; actively manage or reduce interest rate risk; provide greater financial flexibility; generate interest rate savings; and enhance investment yields.

The County's swap policy puts forth a series of recommended terms for swap agreements. The policy recommends the use of ISDA swap documentation, including the Schedule to the Master Agreement, the Credit Support Annex, and a Swap Confirmation. The policy recommends that swaps should provide for optional termination at market at any time and in the event of a counterparty credit downgrade. The policy also recommends that swap agreements should only be made with qualified swap counterparties, and that the County should seek to diversify counterparty credit risk.

LIBOR-based interest rate swaps carry certain risks, notably basis risk, counterparty risk, rollover risk, tax risk, and termination risk. Working with NIFA and NHCC, respectively, the County has made efforts to mitigate these risks. As recommended by the swap policy, the County regularly monitors these risks.

Risk Management

The County is exposed to various risks of loss related to torts, property loss, employee injuries, motor vehicle accidents and errors and omissions of its employees. The County has established a Risk Management Unit to monitor and direct policies and procedures to reduce and control the County's overall risk exposures. The County self-insures for most risk exposures with all loss payments paid directly by the County out of its operating or capital funds. The County has transferred some of its risk by means of both property and liability insurance coverage for all police helicopters. The County also maintains a blanket fidelity bond covering all County employees. The County has established minimum insurance requirements for all contractors and vendors providing services to the County. The County has contracted with Marsh Inc. to provide brokerage service for selected insurance programs.

The County has centralized all risk management responsibilities to provide improved control and management of the cost of risk for the County. As part of this process the County's claims management procedures have been revised to accelerate the investigation of claims and increase subrogation efforts. A dedicated Fraud Prevention Program with a Special Investigation Unit has been established for further investigation of some claims. A safety inspection and investigation program has been implemented. A full review of all insurance programs is now underway.

The County continues to focus on the management of the Workers Compensation Program. Risk Management is actively working with the third-party administrator for the workers compensation claims management program, to find ways to reduce and control loss activity. Improved claims management programs including early investigations of workers compensation claims programs have been introduced. Detailed reports have been developed to target safety improvements needed and areas requiring further management of loss exposures. Subrogation efforts and the transfer of losses to the second injury fund have been increased resulting in significant loss cost savings.

Risk Management Policies and Procedures for key risk related areas are being developed to further reduce loss exposure. In the first full year of implementation of the County's Motor Vehicle Risk Management Policy and Procedure the County has experienced a significant reduction in the number of motor vehicle accidents involving County owned motor vehicles.

NIFA

NIFA is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation with limited authority to oversee the County's finances. Since enactment in 2000 of NIFA Act (as defined below), creating NIFA, the County's finances have been subject to oversight by NIFA. As part of its oversight responsibilities, NIFA is required to review the terms of and comment on the prudence of each issuance of bonds or notes proposed to be issued by the County, and no such borrowing may be made unless first reviewed and commented upon by NIFA. NIFA has reviewed and commented on the issuance of the Bonds.

Budget Process and Controls

The County Charter requires the County Executive to submit, no later than September 15th of each year, to the County Legislature for its review an annual operating budget for the ensuing fiscal year (January 1st through December 31st) and, beginning after the conclusion of the interim finance period, a multi-year financial plan. Each year during the interim finance period or during a control period (as each is described herein), the NIFA Act requires the County to submit the proposed budget to NIFA, which must be consistent with the accompanying multi-year financial plan.

The County Legislature holds budget hearings after the County Executive submits his proposed budget. After the conclusion of the public hearings, the County Legislature may reduce, increase or strike out any item of appropriation in the proposed budget. Prior to any increase, however, another public hearing is necessary. The County Executive has the power to veto any item that constitutes an addition or increase in the proposed budget. The County Legislature has the power to override such a veto by the affirmative vote of at least thirteen out of its nineteen members and then approve by ordinance the final budget. Within ten days of the final approval of the budget by the County Legislature, the County Executive may veto any item that constitutes a change from the proposed budget, while at the same time approving the remainder of the budget. The County Legislature may override any such vetoed item within seven days by a vote of at least thirteen members. Upon final adoption of the budget, the County Legislature must pass an appropriation ordinance for such budget and levy taxes for the ensuing year not later than October 30th

During the year, the County Executive may recommend changes to the adopted budget. Transfers of spending authority between departments and certain transfers within departments require approval by majority vote of the County Legislature. The County Executive may also recommend appropriating revenues not recognized in the adopted budget. Such supplemental appropriations require approval by thirteen affirmative votes of the County Legislature.

The County has established controls to ensure compliance with adopted budgets. OMB and the County Comptroller supervise and control the expenditure and encumbrance of appropriations, and monitor revenues. The County's financial management system provides for on-line inquiries of budgeted and actual obligations and revenues, which are used to analyze current activity and historical trends, and to formulate forecasts of future operating results. Appropriations, which have not been expended or encumbered, lapse at the end of the year.

COUNTY FINANCIAL CONDITION

Financial Results 2006

The County ended the 2006 fiscal year with a $45.5 million operating surplus in its Major Operating Funds.

The County directed $25 million of such surplus toward the payment of property tax refunds in 2007. The County also transferred $16 million of the 2006 surplus into its Retirement Contribution Reserve Fund and $2 million as part of an agreement to transfer certain park lands and roads to the Town of North Hempstead.

2007 Budget and Third Quarter Results

The County Executive submitted his proposed 2007 Budget to the County Legislature on September 15, 2006. The adopted 2007 Budget included $2.4 billion in appropriations, excluding interdepartmental and inter-fund transfers, to support the Major Operating Funds. The proposed 2007 Budget was only $74.2 million more than the 2006 Budget, and it did not rely upon any NIFA transitional assistance or debt restructuring. All positions were fully funded. The adopted 2007 Budget drew down on $26.4 million of the Retirement Contribution Reserve Fund (discussed below in this section) and included a transfer of $25 million from its projected 2006 operating surplus to the operating fund. The adopted 2007 Budget held the tax levy constant in county-wide funds in the aggregate for the fourth consecutive year.

As of October 31, 2007 the County projects that it will end 2007 with a $15.3 million operating surplus. The County also expects that the fund balance at the end of 2007 will be $81.3 million. This surplus takes into account absorbing many threats, such as the updated sales tax projection and the State budget exclusion of reimbursement for Fashion Institute of Technology (FIT).

As of October 31, 2007 the sales tax projection is $15.8 million below budget. This is in recognition of 2006 sales tax growth of 3.9 percent and the 2007 year-to-date growth. Therefore, OMB projects the 2007 sales tax growth to reach approximately 2.1 percent. This is lower than the sales tax growth 5-year average of 3.5 percent. Year-to-date growth is 1.44 percent. In order to address the potential sales tax revenue shortfall, the County Executive announced a plan on June 5, 2007. First, of the 300 full-time vacancies currently funded in the budget, only essential positions will be filled. This workforce management will generate savings of at least $2 million and is expected to be even higher as the administration is committed to managing the size of the workforce. Second, the administration is limiting all but essential purchasing. Purchasing requests will continue to be scrutinized by OMB and the Office of Purchasing. Also, almost $2 million of appropriations will be removed from department budgets. Third, the County is projecting $1.5 million in savings from the police overtime initiative. Finally, this report reflects utilizing the $10.1 million contingency for the sales tax deficit.

2008 Budget and 2008-2011 Multi-Year Financial Plan

The County Executive submitted his proposed 2008 Budget to the County Legislature on September 17, 2007. The County Legislature adopted the budget after making amendments totaling $1.4 million on October 29, 2007. The adopted 2008 Budget includes $2.6 billion in appropriations, excluding interdepartmental and inter-fund transfers, to support the Major Operating Funds. The adopted 2008 Budget was 1.9% more than the 2007 Budget, and this was at a time when the Consumer Price Index is twice that, at 3.8%. Also, it did not rely upon any NIFA transitional assistance or debt restructuring. All positions were fully funded. The adopted 2008 Budget drew down on $24.5 million of the Retirement Contribution Reserve Fund (discussed below in this section) and included a transfer of $10 million from the projected 2007 operating surplus to the operating fund. See "APPENDIX A – INFORMATION ABOUT THE COUNTY" herein. The adopted 2008 Budget held the tax levy constant in county-wide funds in the aggregate for the fifth consecutive year.

On November 8, 2007, NIFA approved the 2008-2011 Multi-Year Financial Plan and the 2008 Budget. The 2008-2011 Multi-Year Financial Plan extends the core gap-closing measures that have been utilized previously by the County. Assumptions of such measures is shown in Figure 1.

FIGURE 1
SUMMARY OF GAP-CLOSING MEASURES
INCLUDED IN THE 2008-2011 MULTI-YEAR FINANCIAL PLAN,
MAJOR OPERATING FUNDS (DOLLARS IN MILLIONS)

	2008	2009	2010	2011
Estimated Baseline Gap	**$0.0**	**($124.7)**	**($174.6)**	**($197.5)**
Gap Closing Measures				
Smart Government Initiatives	0.0	9.8	11.8	13.9
Workforce Management	0.0	10.0	15.0	15.0
Annual CPI Property Tax Growth	0.0	29.6	60.3	92.2
Value of New Construction	0.0	3.9	7.8	11.7
Use of Remaining Tobacco Proceeds	0.0	23.0	5.0	0.0
Pension Reserve	0.0	0.4	0.0	0.0
Health Insurance Cost Reductions	0.0	15.0	20.0	20.0
PAYGO Judgments and Settlements	0.0	(5.0)	(10.0)	(15.0)
Subtotal Gap Closing Measures	$0.0	$86.7	$109.9	$137.8
Total Surplus/Deficit After Gap Closing Measures	**$0.0**	**($38.1)**	**($64.7)**	**($59.7)**
Options to Close Remaining Gap				
Video Lottery Terminals	$0.0	$20.0	$20.0	$20.0
Proposed Legislative Cigarette Tax	0.0	28.4	28.4	28.4
Red Light Cameras	0.0	7.0	7.0	7.0
Residential Energy Tax	0.0	21.0	21.6	22.3
Discretionary Programming Reductions	0.0	7.5	7.5	7.5
Debt Restructuring	0.0	0.0	5.0	5.0
Total Options to Close Remaining Gap	**$0.0**	**$83.9**	**$89.5**	**$90.2**

These measures include continued workforce management, initiatives to reduce costs and generate new revenues, and further concessions from the County's labor unions. It assumes that the County will exhaust its Retirement Contribution Reserve Fund (discussed below in this section) in 2009. Beginning in 2009, the County expects to increase its property tax levy supporting the Major Operating Funds by 3.9% annually during the remainder of the plan period. The 2008-2011 Multi-Year Financial Plan continues support of the appropriation to finance a portion of the expense of judgments and settlements on a pay-as-you-go basis. This appropriation grows steadily in each successive year until it reaches approximately $15 million in 2011.

The County has identified a number of potential risks to its future financial performance. Such risks include, but are not limited to, the continuation of slow growth in County sales tax revenues, a cooling off of the real estate market, the inability to achieve various gap closing measures, the County's exposure to potentially adverse legal judgments, the continued commitment to institutionalization of financial and managerial reforms, the stability of NHCC (as defined herein), the future of the New York Racing Association and Off-Track Betting Corporations in the State, and the recognition of the liability associated with retiree health insurance required by GASB Statement No. 45, issued by the Government Accounting Standards Board ("GASB"). GASB 45 will require municipalities and school districts to account for OPEB ("other post-employment benefits") much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start. The County expects to be in compliance with the requirements of GASB 45 by or before the applicable effective date but has not, as of this date, made any definitive determinations of potential liability.

The 2008-2011 Multi-Year Financial Plan identifies a number of contingencies the County could exercise in the event that risks emerge which threaten the County's financial performance. For example, the County may continue using surplus current-year resources to defray non-recurring expenses in the out-years of the Multi-Year Financial Plan. The County has established various restricted reserve funds pursuant to the GML, including a Retirement Contribution Reserve Fund, an Employee Accrued Liability Reserve Fund, and a Reserve for the Retirement of Bonded Indebtedness. Such reserves totaled approximately $89.2 million as of the end of the 2006 fiscal year and approximately $48 million as of October 31, 2007. These reserves may be utilized with the approval of the County Legislature.

As discussed herein, the County is required to close substantial budgetary gaps in order to maintain balanced operating results. There can be no assurance that the County will continue to maintain balanced operating results as required by State law without revenue increases or reductions in County services or entitlement programs.

For its normal operations, the County depends on aid from the State both to enable the County to balance its budget and to meet its cash flow requirements. There can be no assurance that there will not be reductions in State aid to the County from amounts currently projected; that State budgets will be adopted by the April 1 statutory deadline, or interim appropriations will be enacted; or that any such reductions or delays will not have adverse effects on the County's cash flow or expenditures. In addition, the annual federal budget negotiation process could result in a reduction or a delay in the receipt of federal reimbursements that could have adverse effects on the County's cash flow or revenues. See "APPENDIX A – INFORMATION ABOUT THE COUNTY" herein.

The County's projections in its multi-year financial plans are based on various assumptions and contingencies which are uncertain and which may not materialize. Such assumptions and contingencies are described throughout this Official Statement and include the condition of the regional and local economies, the provision of State and federal aid and the impact on County revenues and expenditures of any future federal or State policies affecting the County.

Actual revenues and expenditures may be different from those forecast in the County's Multi-Year Financial Plans.

Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the County from its records. The presentation of such information is intended to show recent historical data and is not intended to indicate future or continuing trends in the financial position or other affairs of the County.

The factors affecting the County's financial condition described throughout this Official Statement, including in "APPENDIX A – INFORMATION ABOUT THE COUNTY", are complex and are not intended to be summarized in this section. The Official Statement, including the Appendices, should be read in its entirety.

SOURCES OF PAYMENT FOR THE BONDS

The Bonds are general obligations of the County. Scheduled payments of principal and interest on the Bonds and the purchase price of Bonds tendered for purchase and not remarketed will be payable by draws on two irrevocable direct pay letters of credit of Bank of America, N.A.

The Bonds are being issued to provide monies to fund various public purposes, certain property tax refunds, judgments or settlements and to pay the costs of issuance. The Bonds have been duly authorized and, when executed and delivered, will constitute legal, valid and binding obligations of the County. The County has pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, the County is authorized to levy on all taxable real property such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

The Bonds do not constitute debt of NIFA or the State.

LETTERS OF CREDIT

Bank of America, N. A. (the "LOC Provider") has agreed to issue, in favor of the County and pursuant to the Reimbursement Agreement, two irrevocable direct pay letters of credit (each an "LOC" and, collectively, the "LOCs") for purposes of payment of the principal of and interest on the related series of Bonds and the purchase price of Bonds tendered for purchase and not remarketed. The LOCs will be irrevocable obligations of the LOC Provider to pay to the Fiscal Agent, upon timely demand and in accordance with the terms thereof, an amount equal to the principal amount of and interest due on the Bonds and the purchase price of the related series of Bonds tendered for purchase but not remarketed.

The LOCs will be effective upon issuance of the Bonds and will expire on December 13, 2010. Each LOC may only be drawn on by the Fiscal Agent or a transferee that has succeeded to the duties of the Fiscal Agent and to whom such LOC has been properly transferred in accordance with its terms.

Under the Reimbursement Agreement, the County has agreed to pay to the LOC Provider an amount equal to all amounts drawn under the LOCs together with interest on any such amounts from the date of the drawing to the day of repayment. The County has also agreed to pay certain fees and expenses of the LOC Provider in connection with the issuance of the LOCs.

See "APPENDIX J – SUMMARY OF THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" and "APPENDIX K – INFORMATION ABOUT THE LETTER OF CREDIT PROVIDER", herein. Such information has been provided by the LOC Provider and its counsel, and neither the County nor the underwriter makes any representation as to the accuracy or completeness of such information.

THE BONDS

General

The Bonds will be dated the date of delivery, are subject to the redemption provisions set forth herein in the section captioned "Redemption", and will initially accrue interest at a Weekly Rate in the Weekly Mode, as described herein, unless and until the Mode for any Series of the Bonds is converted to a different Mode, as permitted under the Bond Determination Certificate. Except during an Auction Mode and Fixed Rate Mode, the interest rate and, if applicable, the Commercial Paper Rate Period for the Bonds will be determined by the Remarketing Agent appointed under the Bond Determination Certificate. The permitted Modes are the "Commercial Paper Mode", the "Daily Mode", the "Weekly Mode", the "Term Rate Mode", the "Fixed Rate Mode" and the "Auction Mode". The Interest Period for each Mode will be, respectively, one to 270 days; one day; one week; one year or multiples of one year; and the period determined pursuant to the "Auction Procedures" set forth in Exhibit A to the Bond Determination Certificate (the "Auction Disclosure Documents"). (See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE" for the form of the terms, conditions and specific provisions applicable to the Bonds and definitions of certain terms used in this Official Statement.)

This Official Statement describes the terms and conditions of the Bonds while such Bonds are in the Weekly Mode. The terms and conditions of the Bonds in the Commercial Paper Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Fixed Rate Mode and the Auction Mode (and the manner and methods of effecting changes in such Modes) are described in greater detail in the Bond Determination Certificate. Reference should be made thereto for specific provisions applicable to the Bonds. See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE", herein.

Changes in a Mode will be effected, and notice of such changes will be given, as described below in "Conversion of Modes". If the Mode on the Bonds is converted to or from the Weekly Mode to or from another Mode, the Bonds will be subject to mandatory purchase at a purchase price equal to the principal amount plus accrued interest at the option of the holder thereof, on any Business Day.

During each Interest Period for a Mode (other than Auction Mode and Fixed Rate Mode), the interest rate for the Bonds in that Mode, and Commercial Paper Rate Periods for Bonds accruing interest in the Commercial Paper Mode, will be determined by the Remarketing Agent in accordance with the Bond Determination Certificate and the Remarketing Agreement; provided that the interest rate borne by any Bonds of any Series may not exceed 12 % per annum. During an Auction Mode for the Bonds of any Series, the interest rate for such Bonds will be determined pursuant to the Auction Rate Procedures set forth in Exhibit A to the Bond Determination Certificate. (See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE – *Exhibit A*", *herein*.)

Interest on the Bonds of any Series while they accrue interest in the Commercial Paper Mode, Daily Mode or Weekly Mode will be computed on the basis of a 365-day year or the number of days actually elapsed. Interest on the Bonds of any Series while they accrue interest in the Term Rate Mode for 360 days or less, the Fixed Rate Mode or an Auction Mode of more than 180 days will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds of any Series while they accrue interest in the

Term Rate Mode of more than 360 days, an Auction Mode of 180 days or less or in any Mode of 360 days or less if interest on such Bonds is not excludible from gross income for federal income tax purposes will be computed on the basis of a 360-day year for the number of days actually elapsed. Interest payable on any Interest Payment Date will be payable to the registered owner of the Bonds as of the Record Date for such payment or, in the case of interest payable on Bonds bearing interest at a Commercial Paper Rate, as of the Interest Payment Date.

The Bonds will be issued in book-entry form as fully registered bonds without coupons. If the Mode for any Bonds is the Daily Mode, the Weekly Mode, the Commercial Paper Mode, or a Term Rate Mode of 360 days or less, such Bonds may be issued only in denominations of $100,000 and any multiple of $5,000 in excess thereof; if the Mode for such Bonds is the Fixed Rate Mode or the Term Rate Mode of more than 360 days, such Bonds may be issued in denominations of $5,000 and any integral multiple thereof; and if the Mode for such Bonds is the Auction Mode, such Bonds may be issued only in Authorized Denominations (as defined in Auction Procedures set forth in Exhibit A to the Bond Determination Certificate). (See "APPENDIX I - FORM OF BOND DETERMINATION CERTIFICATE – Exhibit A", herein).

The Bonds will initially be registered in the name of Cede & Co., the partnership nominee of DTC. So long as Cede & Co. is the registered owner of the Bonds, interest payments due on the Bonds will be made to Cede & Co. (See "THE BONDS – Book-Entry System", herein.)

Weekly Mode

The Bonds are being issued initially in the Weekly Mode at an interest rate determined on or prior to the date of delivery and effective through the following Tuesday. Subsequently, the interest rate for the Bonds during the Weekly Mode will be the Weekly Rate established by the Remarketing Agent no later than 10:00 a.m. (New York City time) on each Rate Determination Date and shall be in effect, from and including each Wednesday to and including the following Tuesday. Such interest rate shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the lowest interest rate, not exceeding the Maximum Rate, which would in the judgment of the Remarketing Agent enable the holders of Bonds, as of the date of such determination and under prevailing market conditions, to sell such Bonds on such first day at a price equal to the principal amount thereof plus accrued interest, if any, thereon.

If for any reason the interest rate for Bonds in the Weekly Mode is not determined by the Remarketing Agent, the interest rate will be the Alternate Rate (as defined in the Bond Determination Certificate).

Conversion of Modes

The County may effect a change in Mode of any Series of Bonds from one Mode to another Mode (other than Fixed Rate Bonds) by giving written notice to the Fiscal Agent, the Tender Agent, the Remarketing Agent, the Auction Agent, the Liquidity Facility Provider and the Credit facility Provider no later than the fifth day preceding the proposed Mode Change Date of its intention to effect a change in the Mode from the Mode then prevailing to another Mode. If such change in Mode is to a Term Rate Mode, such written notice shall specify the initial Interest Period of such Term Rate Mode.

The Fiscal Agent is required to mail written notice of the conversion to the registered owners of all Bonds to be converted not less than four Business Days prior to the Mode Change Date. See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE", herein for specific provisions applicable to the Bonds.

The Bonds of any Series may be changed to a Fixed Rate Mode at the option of the County by the County giving written notice of such change and setting forth the proposed Mode Change Date to the Fiscal Agent, the Tender Agent, the Remarketing Agent, the Auction Agent, the Liquidity Facility Provider, the Credit Facility Provider, and each Rating Agency then rating the Bonds not less than thirty (30) days (unless a shorter time is agreed to by Fiscal Agent, the Remarketing Agent and Auction Agent) before the proposed Mode Change Date. See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE", herein for specific provisions applicable to the Bonds.

The foregoing notwithstanding, no conversion of Bonds will occur unless certain conditions precedent are satisfied. These conditions precedent are set forth with particularity in the Bond Determination Certificate. See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE" herein. If a conversion fails to occur, the Mode of such Bonds shall be changed to a Daily Mode, except (a) if the change was from a Commercial Paper Mode, the Bonds of such Series shall remain in the Commercial Paper Mode with interest rates with respect thereto and Interest Periods to be established by the Remarketing Agent in accordance with the Bond Determination Certificate, or (b) if the change was from an Auction Mode, the Bonds shall remain in the Auction Mode, shall automatically convert to a seven (7) -day Auction Period and shall bear interest at the Maximum Rate, or (c) if the change was to a Fixed Rate Mode, the New Mode shall not take effect and all Bonds shall be changed to a Daily Mode (except (i) if the change was from a Commercial Paper Mode, the Bonds of such Series shall remain in the Commercial Paper Mode with interest rates with respect thereto and Interest Periods to be established by the Remarketing Agent in accordance with the Bond Determination Certificate and (ii) if the change was from an Auction Mode, the Bonds shall remain in the Auction Mode, shall automatically convert to a seven (7) -day Auction Period and shall bear interest at the Maximum Rate).

Purchase of Bonds on Demand of Owner

If the Mode for the Bonds is the Daily Mode or the Weekly Mode, any such Bond shall be purchased on the demand of the registered owner thereof, on any Business Day during a Daily Mode or Weekly Mode at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent, at its designated office at or before 11:00 a.m. (New York City time) on any Business Day for Bonds in the Daily Mode and at or before 4:00 p.m. (New York City time) on the Business Day five (5) days prior to the applicable Purchase Date for the Bonds in the Weekly Mode. The owner of a Bond may demand purchase of a portion of such Bond only if the portion to be purchased and the portion to be retained by such owner each will be in an Authorized Denomination.

Mandatory Purchases of Bonds

The Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof plus accrued interest, if an, if the Mode for such Bonds changes to another Mode, except that, in a change to the Fixed Rate Mode, the Bonds are subject to mandatory purchase on the Mode Change Date at the Purchase Price. Bonds in the Commercial Paper Mode are subject to mandatory purchase on the Purchase Date for the then current Interest Period at the Purchase Price. Bonds in the Term Rate Mode shall be subject to mandatory purchase on the Purchase Date for the current Interest Period at the Purchase Price.

The Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the Purchase Date, on the second day (or if such day is not a Business Day, the preceding Business Day) preceding the date of cancellation or substitution by the County of the then current Liquidity Facility or the stated expiration of the term of the then current Liquidity Facility, if any; provided, that the Bonds shall not be subject to Mandatory Purchase on the

Substitute Liquidity Facility Date or Substitute Credit Facility Date or the second Business Day preceding each Expiration Date if (1) on or prior to the 15th day prior to such Expiration Date, Substitute Liquidity Facility Date or Substitute Credit Facility Date, the County has furnished to the Fiscal Agent an agreement to extend the Liquidity Facility or Credit Facility, as applicable or (2) the Fiscal Agent receives written confirmation from each Rating Agency then rating the Bonds to the effect that immediately following such Substitute Liquidity Facility Date or Substitute Credit Facility Date or Expiration Date there will be no withdrawal or reduction of the long-term and short-term rating then in effect with respect to such Bonds and the Fiscal Agent gives notice of such substitution or expiration by mail to the Holders no less than 10 days prior to such substitution or expiration.

If a Liquidity Facility is in effect, the Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the Purchase Date, if the County receives written notice from the Liquidity Facility Provider directing such mandatory purchase stating that an Event of Default has been declared under the Liquidity Facility Agreement that, pursuant to the terms of the Liquidity Facility Agreement, permits the Liquidity Facility Provider to deliver such direction. Upon receipt of such notice, the County shall immediately draw on that Liquidity Facility in an amount sufficient to pay the principal and interest which will be due on the Purchase Date and hold such amount until the Purchase Date when such amount shall be applied to pay the amounts due to the owners of the Bonds on the Purchase Date, and the Fiscal Agent shall, as soon as practicable after receipt of such notice from the County, notify Bondholders of such mandatory purchase by first class mail, postage prepaid in accordance with the Bond Determination Certificate.

Remarketing of Bonds

Upon the receipt by the Remarketing Agent of any notice relating to purchases of Bonds on demand of the owner thereof, the Remarketing Agent, subject to the terms of the Remarketing Agreement, shall use its best efforts to offer for sale and sell the Bonds in respect of which such notice has been given. The Remarketing Agent, the Fiscal Agent, the Tender Agent or the Liquidity Facility Provider may purchase any Bond offered for their respective accounts.

The Remarketing Agent shall, subject to the terms of the Remarketing Agreement, use its best efforts to offer for sale and sell, on behalf of the County, Bonds purchased with funds drawn under the Liquidity Facility and, at the direction of the County, any Bonds purchased for the County by the Fiscal Agent or the Tender Agent with funds of the County; provided that the Remarketing Agent shall not remarket any Bonds purchased with funds drawn under the Liquidity Facility until it has received written notice from the Liquidity Facility Provider that the Liquidity Facility has been reinstated for the principal and interest portions of the drawing made to pay the purchase price of such Bonds or will be automatically reinstated upon receipt of the purchase price for such Bonds. If any Bonds to be remarketed have been called for redemption, the Remarketing Agent shall give notice thereof to prospective purchasers of such Bonds.

Mandatory Sinking Fund Redemption

The Bonds are subject to redemption prior to maturity in the amounts, at the times and in the manner set forth below. Except as otherwise set forth in "Book-Entry Only System" herein, payment of the redemption price of any Bond will be made on the redemption date only upon surrender to the Fiscal Agent of any Bond so redeemed.

The Series A Bonds shall be subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on December 1 of each of the years set forth below and in the principal indicated:

$35,000,000 Multi-Modal General Obligation Bonds, 2007 Series A

12/1/2009	1,820,000
12/1/2010	1,910,000
12/1/2011	2,005,000
12/1/2012	2,105,000
12/1/2013	2,210,000
12/1/2014	2,255,000
12/1/2015	2,345,000
12/1/2016	2,245,000
12/1/2017	2,360,000
12/1/2018	2,365,000
12/1/2019	2,485,000
12/1/2020	2,600,000
12/1/2021	2,630,000
12/1/2022	2,765,000
12/1/2023	2,900,000

The Series B Bonds shall be subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on or after December 1 of each of the years set forth below and in the principal amount indicated:

$40,000,000 Multi-Modal General Obligation Bonds, 2007 Series B

12/1/2009	1,920,000
12/1/2010	2,020,000
12/1/2011	2,120,000
12/1/2012	2,225,000
12/1/2013	2,335,000
12/1/2014	2,380,000
12/1/2015	2,475,000
12/1/2016	2,360,000
12/1/2017	2,480,000
12/1/2018	2,485,000
12/1/2019	2,605,000
12/1/2020	2,725,000
12/1/2021	2,755,000
12/1/2022	2,890,000
12/1/2023	3,035,000
12/1/2024	3,190,000

Optional Redemption

Bonds in the Daily Mode or the Weekly Mode are subject to redemption at the option of the County prior to their respective stated Maturity Dates, in whole on any date or in part on any Interest Payment Date at a Redemption Price equal to the principal amount of Bonds called for redemption, without premium. Bonds in the Term Rate Mode or the Fixed Rate Mode are subject to redemption at the option of the County prior to their respective stated Maturity Dates: (i) in whole on any date or in part on their Purchase Date at a Redemption Price equal to the principal amount of Bonds called for redemption, without premium and (ii) at such times and upon such terms as shall be specified by the County in a schedule delivered to the Fiscal Agent on or prior to such change to such Term Rate Mode or Fixed Rate Mode. Bonds in the Auction Mode are subject to redemption at the option of the County prior to their respective stated Maturity Dates, in whole or in part on the Interest Payment Date immediately following the end of the Auction Period at a Redemption Price equal to the principal amount of Bonds called for redemption; provided that after any optional redemption there may not be less than $10,000,000 in aggregate principal amount of any Bonds of any Series bearing interest at an Auction Period Rate unless otherwise consented to by Broker-Dealers (as defined in the "Auction Procedures" set forth in Exhibit A to the Bond Determination Certificate). All redemptions should be in integral multiples of the Authorized Denominations. See "APPENDIX I – FORM OF BOND DETERMINATION CERTIFICATE", herein.

Upon any mandatory or optional redemption, Bonds held by the Liquidity Facility Provider (or by the Fiscal Agent on behalf of the Liquidity Facility Provider) shall be redeemed prior to the redemption of any other Bonds.

Bonds subject to redemption may be purchased by the County at a purchase price equal to the Redemption Price.

Bonds Held by Liquidity Facility Provider

Bonds purchased by a Liquidity Facility Provider (or by the Fiscal Agent on behalf of a Liquidity Facility Provider) shall be subject to mandatory and optional redemption prior to maturity in accordance with the terms of the Liquidity Facility Agreement. Any Bonds purchased and held by the Liquidity Facility Provider shall bear interest at the Liquidity Facility Bond Rate (as defined in the Liquidity Facility). See "APPENDIX J – SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT", herein.

Notice of Redemption

The County, or the Fiscal Agent on behalf of the County, will give notice of the redemption of the Bonds of any Series by mailing a copy of the redemption notice by first class mail, postage prepaid, not more than 60 days and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Bond subject to redemption in whole or in part, at the owner's address as appearing on the bond registration books of the Fiscal Agent, the Liquidity Facility Provider, the Credit Facility Provider and the Rating Agencies then rating the Bonds. The Bonds in Auction Mode are subject to the foregoing and additional requirements as set forth in the Bond Determination Certificate. Failure to receive any such notice, or any defect therein in respect of any Series of Bonds, will not affect the validity of the redemption of any other Series.

So long as the book-entry only system is in effect, the Fiscal Agent will send each notice of redemption to Cede & Co., as nominee of DTC, and not to the Beneficial Owners. So long as DTC or its nominee is the sole registered owner of the Bonds under the book-entry only system, any failure on the part of DTC or a Direct Participant or Indirect Participant to notify the Beneficial Owner so affected will not affect the validity of the redemption.

Said notice shall state whether such Bonds are redeemed in whole or in part and, if in part, the maturities and numbers of the Bonds called, shall state that the interest on the Bonds so called shall cease on the date fixed for redemption, shall state the redemption date and the redemption price, and shall require that the Bonds redeemed be then presented for redemption and payment at the designated office of the Fiscal Agent. From and after the date fixed for redemption, if notice has been given as herein provided, and the funds sufficient for payment of the redemption price and accrued interest shall be available therefor on such date, the Bonds so designated for redemption shall cease to bear interest. Upon presentation and surrender in compliance with such notices, the Bonds so called for redemption shall be paid by the Fiscal Agent at the redemption price. If not so paid on presentation thereof, said Bonds so called shall continue to bear interest at the rates expressed therein until paid.

Certain Considerations Concerning Sales by the Remarketing Agent

Remarketing Agent is Paid by the County.

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally tendered by the owners thereof, as further described in this Official Statement. The Remarketing Agent is appointed by the County and is paid by the County for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

Remarketing Agent Routinely Purchases Bonds for its Own Account.

The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered Bonds for its own inventory in order to achieve a successful remarketing of the Bonds (i.e., because there would not otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds and may cease doing so at any time without notice.

The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds.

The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may reduce the supply of Bonds that may be tendered in a remarketing.

Bonds May be Offered at Different Prices on an Interest Rate Determination Date.

The Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. If the Remarketing Agent purchases Bonds for its own account, it may offer those Bonds at a discount to par to some investors.

Ability to Sell the Bonds other than through Tender Process May Be Limited.

While the Remarketing Agent may buy and sell Bonds, it is not obligated to do so and may cease doing so at any time without notice. Investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

County May Not File For Bankruptcy Protection

Under the NIFA Act, the County is prohibited from filing any petition with any United States district court or bankruptcy court for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller and no such petition may be filed while NIFA notes or bonds remain outstanding.

Contract Remedies

The General Municipal Law ("GML") of the State provides that it shall be the duty of the governing board (in the case of the County, the County Legislature) to assess, levy and cause to be collected a sum of money sufficient to pay a final judgment which has been recovered against the County and remains unpaid. The GML further provides that the rate of interest to be paid by a municipal corporation upon any judgment against a municipal corporation shall not exceed the rate of nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of principal of and interest on the Bonds. Execution or attachment of County property cannot be obtained to satisfy a judgment by holders of the Bonds.

The State Constitution prohibits a municipality from contracting any indebtedness unless it pledges its faith and credit for the payment of the principal of and interest on the indebtedness.

Under the Constitution of the State, the County is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the County to levy taxes on real property thereof for the purpose of funding such payment.

No principal or interest payment on County indebtedness is past due. To the best of the knowledge of current officials, the County has never defaulted on the payment of principal of and interest on any indebtedness.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC") 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 Note certificate will be issued for the Bonds bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities 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"). DTC, in turn, is owned by a number of Direct

Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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"). DTC has S&P's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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 Note ("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 certificates representing their ownership interests in 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.

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 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 Note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds 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 County or the Fiscal Agent, on 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 Bonds 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 nor its nominee, the Fiscal Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Source: DTC

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

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTEOWNER.

THE COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS, (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) NOTICES SENT TO DTC OR CEDE & CO., AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

LITIGATION

The County, its officers and employees are defendants in a number of lawsuits. Such litigation includes, but is not limited to, actions commenced and claims asserted against the County arising out of alleged torts, civil rights violations, breaches of contracts including union and employee disputes, condemnation proceedings, medical malpractice actions and other alleged violations of law. The County intends to defend itself vigorously against all claims and actions. See "APPENDIX A – INFORMATION ABOUT THE COUNTY" herein.

OTHER INFORMATION

The County is authorized to spend money for the objects or purposes for which the Bonds are to be issued by the General Municipal Law, the County Law, the County Charter, the County Administrative Code or other applicable State law.

The County has no past due principal or interest on any of its indebtedness.

This Official Statement does not include either the debt or the tax collection record of the several cities, towns, villages, school districts or other municipal corporations or public corporations within the County, except as herein set forth.

COVENANT TO MAKE CONTINUING DISCLOSURE

At the time of the issuance and delivery of the Bonds, the County will make a covenant for the benefit of the Beneficial Owners (as hereinabove defined) of the Bonds to provide notices of the occurrence of certain events, as enumerated below, if material. The notices of material events will be provided by the County to the Municipal Securities Rulemaking Board (the "MSRB"). In the event that a State Information Depository (the "NYSID") shall at any time hereafter be established by the State, each Annual Report and notice of material event will thereafter also be provided by the County to the NYSID. This covenant is being made in order to assist the underwriters of the Bonds to comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

Notices of Material Events - If applicable, and if material, notices of the occurrence of any of the following events shall be given in a timely manner:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults. It should be noted, however, that neither the Bonds, the proceedings of the County authorizing the Bonds, the Local Finance Law, nor any other law, makes any provision for non-payment related defaults on the Bonds, or other general obligations issued by the County.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties. It should be noted, however, that the County is not legally authorized to establish, nor has it established, a debt service reserve securing the Bonds.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds.

(7) Modifications to rights of holders of the Bonds.

(8) Optional or other unscheduled calls for redemption of the Bonds.

(9) Defeasances. It should be noted, however, that neither the Bonds, the proceedings of the County authorizing the Bonds, the Local Finance Law, nor any other law, makes any provision for the legal defeasance of the Bonds.

(10) Release, substitution or sale of property securing repayment of the Bonds. It should be noted, however, that the Bonds are general obligations of the County and are not secured by any collateral, but rather are entitled to the pledge of the faith and credit of the County.

(11) Rating changes.

The sole remedy of a Beneficial Owner of the Bonds under this covenant will be to bring an action to compel specific performance in a court in the State having appropriate jurisdiction. A default by the County of its obligations under the covenant shall not be deemed a default on the Bonds.

The County may amend its obligations under the provisions of the covenant without the consent of any holder of the Bonds or Beneficial Owner of the Bonds provided that the County shall first obtain an opinion of nationally recognized bond counsel to the effect that the proposed amendment would not in and of itself cause the covenant to violate the requirements of the Rule if such amendment had been effective at the time of issuance of the Bonds, but taking into account any subsequent change in or official interpretation of the Rule.

The County has made covenants to provide annual financial information, audited financial statements and notices of material events for the benefit of the holders of its bonds and bonds issued to the public since July 3, 1995, as well as for the benefit of the holders of certain bonds issued by EFC with respect to which, and to the extent, the County is an "obligated person" as defined in the Rule. During the period after the County issued bonds in May of 2000 until December of 2003 (at which time NIFA issued bonds and bonds on behalf of the County), the County did not fully comply with its covenants to provide such continuing disclosure. Instead, the County relied on the more limited general and economic information disclosed regarding the County as set forth in the offering circulars or official statements prepared in connection with the issuance of NIFA obligations. The County has implemented, through the County Treasurer's Office and the County Attorney's Office, a process by which an annual financial information statement will be made available to the marketplace on a regular basis if subsequent disclosure documents prepared in connection with future County borrowings do not satisfy the Rule. The first annual information statement under such process was filed in July of 2004, and the County has remained in compliance with the Rule since then.

RISK FACTORS

The following description summarizes some of the risk factors associated with the Bonds and does not purport to be complete. This Official Statement should be read in its entirety.

The financial condition of the County as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the County's control. There can be no assurance that adverse events in the State and in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions or in other jurisdictions of the country thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The County is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the County, in any year, the County may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the County. In several recent years, the County has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

In addition, adverse events within the County could affect the market for the Bonds. These include, but are not limited to, events which impact on the County's ability to reduce expenditures and raise revenues, economic trends, the willingness and ability of the State to provide aid and to enact various other legislation and the County's ability to market its securities in the public credit markets. It is anticipated that the various news media will report on events which occur in the County and that such media coverage, as well as such events, could have an impact on the market for, and the market price of, the Bonds.

A major portion of the County's annual expenditures is utilized in the administration of various federal and State mandated aid programs including Medicaid, Temporary Assistance to Needy Families, and community services. Although a substantial portion of these expenditures (other than Medicaid) is reimbursed by the State and federal governments, typically at the rate of 75% of program costs, expenditures fluctuate in response to overall economic conditions and are difficult to predict. Given recent overall economic conditions, these expenditures are likely to increase.

From time to time, legislation is introduced on the federal and State levels, which, if enacted into law, could affect the County and its operations. The County is not able to represent whether such bills will be introduced in the future or become law.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the final approving opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. The proposed form of such opinion is set forth in APPENDIX C hereto. Certain legal matters will be passed upon for the County by its disclosure counsel, the Law Offices of Joseph C. Reid, P.A., New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Hiscock & Barclay LLP, Albany, New York. Certain legal matters will be passed upon for the LOC Provider by their counsel, Nixon Peabody LLP, New York, New York.

TAX MATTERS

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

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

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

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

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As an example, on November 5, 2007, the United States Supreme Court heard an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposal, or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 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 Bonds, and may cause the County or the Beneficial Owners to incur significant expense.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "Aaa"/"P-1", "AA+"/"A-1+", and "AA"/"F1+", respectively, to the Bonds, with the understanding that the LOC Provider will issue the Letter of Credit simultaneously with the issuance of the Bonds.

In addition, Moody's, S&P and Fitch have each assigned their municipal bond ratings of "A2", "A", and "A+", respectively to the outstanding uninsured long-term indebtedness of the County (not including debt issued on behalf of the County by NIFA). These ratings do not apply to the Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch, Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price or the availability of a secondary market for the Bonds.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc. of New York, New York, as Financial Advisor in connection with the issuance and sale of its obligations, including the Bonds. Although Public Financial Management, Inc. has assisted in the preparation of the Official Statement, Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch & Co., who is acting as Underwriter of the Bonds. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the County at the underwriter's discount of $184,940.20, and to reoffer such Bonds at par. The Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased.

MISCELLANEOUS

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the County management's beliefs, as well as assumptions made by, and information currently available to, the County's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the County files with the repositories. When used in County documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal," or similar words are intended to identify forward-looking statements.

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, such matters of opinion and estimates are set forth as such and not as representations of fact. Neither this Official Statement nor any statement which may have been made verbally or in writing in connection therewith is to be construed as a contract with the holders of the Bonds.

Neither the County's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and Law Offices of Joseph C. Reid, P.A., New York, New York, Disclosure Counsel, respectively, to the County, express no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the County for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Upon delivery of the Bonds the County Treasurer shall furnish a certificate stating (i) to his knowledge the Official Statement did not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the County is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe and does not believe that such information is materially inaccurate or misleading, (ii) to his knowledge, since the date of said Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the County and no material adverse changes in the general affairs of the County or in its financial condition as shown in the Official Statement other than as disclosed or contemplated by said Official Statement, and (iii) that no litigation is pending or, or to the knowledge of the County, threatened affecting the Bonds.

Periodic public reports relating to the financial condition of the County, its operations and the balances, receipts and disbursements of the various funds of the County are prepared by the various departments of the County, and in certain instances examined by independent certified public accountants. In addition, the County regularly receives reports from consultants, commissions, and special task forces relating to various aspects of the County's financial affairs, including capital projects, County services, taxation, revenue estimates, pensions, and other matters.

Information pertaining to the Official Statement may be obtained upon request from the Office of the County Treasurer, County Office Building, 240 Old Country Road, Mineola, New York 11501, telephone (516) 571-2090.

The Official Statement is submitted only in connection with the sale of the Bonds by the County and may not be reproduced or used in whole or in part for any other purpose.

The execution of this Official Statement and its delivery have been duly authorized by the County Treasurer on behalf of the County.

COUNTY OF NASSAU, NEW YORK

Steven D Conkling

By: /s/ Steven D. Conkling
County Treasurer

December 11, 2007

APPENDIX A

INFORMATION ABOUT THE COUNTY

INFORMATION ABOUT THE COUNTY

The information below provides comprehensive information on the County, its financial management, current financial condition, economic and demographic information, litigation and other information and factors affecting the County.

COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT

MONITORING AND OVERSIGHT

In addition to the oversight role of OMB, various entities monitor and review the County's finances pursuant to State or local law, including the County Comptroller, the County Office of Legislative Budget Review, NIFA, independent auditors and the State Comptroller.

Internal

County Comptroller

In accordance with the County Charter, the County Comptroller maintains and audits the County's accounts. His powers include: auditing County departments and contractors to identify and prevent waste, fraud and abuse; reviewing contract payment terms, determining that funds are available for payment, and that payment of vendor claims are appropriate; monitoring the County's budget and financial operations; preparing the County's year-end financial statements; and issuing fiscal impact statements on matters that significantly affect the financial health of the County.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting (a "Certificate") to the County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. A Certificate is valid for a period of one year only. The County believes its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2006 continues to conform to the requirements necessary for the award of a Certificate.

Office of Legislative Budget Review

The non-partisan Office of Legislative Budget Review, established by the County Charter, analyzes financial data such as Budgets, Multi-Year Financial Plans and capital plans on behalf of the County Legislature. The Office of Legislative Budget Review publishes reports from time to time on budgets, multi-year financial plans and the operations of select County departments. Such reports are available at the Office of Legislative Budget Review, One West Street, Mineola, NY 11501.

External

NIFA

NIFA is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation with limited authority to oversee the County's finances. Under the NIFA Act, NIFA has both limited authority to oversee the County's finances, including covered organizations as defined in the NIFA Act and discussed further below ("Covered Organizations"), and has, during the interim finance period and further upon the declaration of a control period, additional oversight authority.

Pursuant to the NIFA Act, NIFA performs ongoing monitoring and review of the County's financial operations, including, but not limited to: recommending to the County and the Covered Organizations measures related to their operation, management, efficiency and productivity; consulting with the County in preparation of the County's budget; reviewing and commenting on proposed borrowings by the County (as more fully described below); determining whether to make transitional State aid available; and performing audits and reviews of the County, any of its agencies and any Covered Organization.

Since enactment in 2000 of the Nassau County Interim Finance Authority Act, codified as Title I of Article 10-D of the State Public Authorities Law (the "NIFA Act"), creating NIFA, the County's finances have been subject to oversight by NIFA. As part of its oversight responsibilities, NIFA is required to review the terms of and comment on the prudence of each issuance of bonds or notes proposed to be issued by the County, and no such borrowing may be made unless first reviewed and commented upon by NIFA. NIFA has reviewed and commented upon the issuance of the Bonds.

In addition to its general monitoring and review authority described above, during the "interim finance period," as defined in the NIFA Act, NIFA is empowered, among other things, to review the four year financial plans of the County (each, a "Multi-Year Financial Plan") (which are required to be submitted to NIFA by September 15th of each year during such period and during a control period, as further discussed below), to make recommendations and require modifications thereon or, if necessary, to make adverse findings thereon. The NIFA Act also requires the County to submit each year its proposed budget to NIFA consistent with the Multi-Year Financial Plan. The interim finance period has been in effect since enactment of the NIFA Act in June of 2000, and will continue through 2007 under current law. Recent legislation extends the interim finance period through 2008. Such Multi-Year Financial Plans cover for the four-year period beginning with the ensuing fiscal year for the County and Covered Organizations, and must provide that the Major Operating Funds are balanced in accordance with generally accepted accounting principles. The NIFA Act imposes limits on the County's ability to count as operating revenues in its Multi-Year Financial Plans, among other things, the proceeds of County or NIFA debt issued to finance the payment of tax certiorari judgments and settlements.

NIFA is further empowered to impose a control period, as defined in the NIFA Act, upon its determination that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (1) the County shall have failed to pay the principal of or interest on any of its bonds or notes when due or payable; (2) the County shall have incurred a Major Operating Funds deficit of 1% or more in the aggregate in the results of operations during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles; (3) the County shall have otherwise violated any provision of the NIFA Act and such violation substantially impairs the marketability of the County's bonds or notes; (4) the County Treasurer certifies at any time, at the request of NIFA or on the County Treasurer's initiative, that on the basis of facts existing at such time, the County Treasurer cannot certify that securities sold by or for the benefit of the County in the general public market during the fiscal year immediately preceding such date and the then current fiscal year are satisfying the financing requirements of the County during such period and that there is a substantial likelihood of a similar result from such date through the end of the next succeeding fiscal year; or (5) if, in regard to the County's financial plan covering the County and the Covered Organizations, NIFA adopts a resolution finding, as required by the NIFA Act, that the County has failed to make required modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by NIFA.

During a control period NIFA would be required to withhold transitional State aid and is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and Covered Organizations; approve, disapprove or modify the County's Multi-Year Financial

Plan; issue binding orders to the appropriate local officials; impose a wage freeze; and terminate the control period upon finding that no condition exists which would permit imposition of a control period. NIFA has never imposed a control period nor does the County anticipate that it will do so in the foreseeable future.

Under the NIFA Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller, and no such petition may be filed while NIFA bonds or notes remain outstanding. Under the NIFA Act, the term Covered Organizations includes NHCC and any other governmental agency, public authority or public benefit corporation which receives or may receive monies directly, indirectly or contingently from the County, with certain statutory exceptions. In addition, pursuant to Chapter No. 685 of the Laws of 2003, the Nassau County Sewer and Storm Water Finance Authority is a Covered Organization under the NIFA Act. See "SEWER AND STORM WATER RESOURCES SERVICES" herein. See also "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein for a discussion of NIFA's authority to issue debt on behalf of the County.

Independent Auditors

The County retains independent certified public accountants to audit the County's financial statements. The current audit report covers the years ended December 31, 2006 and 2005 and may be found attached as APPENDIX B to this Official Statement. The County's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP").

State Comptroller

The Department of Audit and Control of the State Comptroller's office periodically undertakes performance audits and is also authorized to perform compliance review to ascertain whether the County has complied with the requirement of various State and federal laws. The County also complies with the Uniform System of Accounts as prescribed for counties in the State.

STATEMENT OF REVENUES AND EXPENDITURES

Major Operating Funds

The 2006 Budget contained six major operating funds (the "Major Operating Funds") - the General Fund, the Police Headquarters Fund, the Police District Fund, the Parks, Recreation and Museums Fund, the Fire Prevention Fund and the Debt Service Fund - that support the primary operations of the County. The 2007 Budget contains five Major Operating Funds – the General Fund, the Police Headquarters Fund, the Police District Fund, the Fire Prevention Fund and the Debt Service Fund – that support the primary operations of the County. The Parks, Recreation and Museums Fund was consolidated into the General Fund in the 2007 Budget to maximize flexibility, reduce complexity and improve efficiency – a goal emphasized in the State Comptroller's Accounting and Reporting Manual. The Police Headquarters Fund, the Parks, Recreation and Museums Fund and the Fire Prevention Fund are all special revenue funds with the same tax base as the County's General Fund. The Police District Fund does not share the same tax base as the General Fund.

The General Fund contains revenues and expenses for all County departments and offices other than the Fire Commission and the Police Department. The County frequently transfers funds between departments and offices in the General Fund to address needs as they arise. Revenues in this fund come primarily from County sales tax collections and a designated portion of the County property tax. Other sources of revenue include departmental fees, permits and licenses and investment income.

The Police Headquarters Fund contains revenues and expenses for services the Police Department provides to all County residents, including crime investigations, ambulance services, traffic safety, highway patrol and administrative/support services. Revenues in this fund come primarily from a designated portion of the County property tax, special taxes, and various fines, permits and fees.

The Police District Fund contains revenues and expenses for the crime prevention services the Police Department's eight precincts provide to a portion of the County's residents. Revenues in this fund come primarily from a designated portion of the County property tax and various fines, permits and fees. Of the Major Operating Funds, the Police District Fund is the only one that does not fund County-wide services. Only areas of the County receiving such services pay the Police District property tax.

The Fire Prevention Fund contains revenues and expenses for the Fire Commission, which ensures compliance with County fire safety codes and coordinates the operations of the various local fire districts. Revenues in this fund come primarily from a designated portion of the County property tax and various fees, fines, permits and licenses.

The Debt Service Fund contains all interest and principal payments for the County's debt obligations, including administrative costs in connection with such borrowings, and accounts for NIFA sales tax set-asides. See "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein. Because the County charges debt service payments to specific projects in departments, the Debt Service Fund is entirely supported by revenues transferred from other funds.

Revenues

The County derives its revenues from a variety of sources. The largest of these are the sales tax, the property tax, federal and State aid and departmental revenues. Figure 2 shows Major Operating Funds revenues.

FIGURE 2
MAJOR OPERATING FUNDS REVENUES

REVENUES CATEGORY	2004	2005	2006	Adopted 2007 Budget	2007 (Projected as of October 2007)	Adopted 2008 Budget
SALES TAX	$ 939,861,602	$ 953,816,120	$ 988,035,431	$1,030,913,922	$1,009,141,827	$1,042,557,825
PROPERTY TAX	743,001,328	745,914,600	739,575,163	758,371,054	761,775,290	773,371,054
STATE AID	209,124,400	194,881,556	187,799,296	195,480,912	191,435,241	220,965,546
FEDERAL AID	126,207,269	114,518,569	115,189,637	111,556,435	114,042,809	120,396,948
DEPARTMENTAL REVENUES	82,337,675	84,633,482	84,416,802	87,967,632	88,979,941	95,621,707
MEDICAID INTER-GOVERNMENTAL TRANSFER REVENUES	121,715,135	38,533,915	0	0	0	0
OTHER REVENUES	183,081,807	224,306,074	224,466,606	226,535,912	270,200,935	217,098,898
STATE (NIFA) AID	7,500,000	12,332,938	0	0	0	0
INTERFUND/INTER-DEPARTMENTAL REVENUES	438,178,442	421,485,584	431,880,986	448,218,386	440,929,372	480,421,833
TOTAL	**$2,851,007,658**	**$2,790,422,838**	**$2,771,363,921**	**$2,859,044,253**	**$2,876,595,388**	**$2,950,433,811**

Note: Sales tax totals reflect collections prior to NIFA set-asides.

Sales Tax

The largest source of revenues for the County in the Major Operating Funds is the sales and compensating use tax (referred to herein as the "sales tax"), which constitutes approximately 42.2% of the total revenues in the 2008 Budget (excluding interdepartmental and interfund revenues). Figure 3 shows budgeted and actual (if available) sales tax revenues compared to budgeted and actual total revenues for the Major Operating Funds.

FIGURE 3
BUDGETED AND ACTUAL SALES TAX REVENUES COMPARED TO BUDGETED AND ACTUAL TOTAL REVENUES
MAJOR OPERATING FUNDS

	Budgeted			Actual		
Fiscal Year	**Total Revenues**	**Sales Tax Revenues**	**Sales Tax as % of Total Revenues**	**Total Revenues**	**Sales Tax Collected**	**Sales Tax Collected as % of Total Revenues**
2008	$2,470,011,978	$1,042,557,825	42.2%	N/A	N/A	N/A
2007	2,410,825,867	1,030,913,922	42.8%	N/A	N/A	N/A
2006	2,355,426,962	1,001,790,643	42.5%	$2,339,482,935	$991,154,798	42.4%
2005	2,368,625,777	964,657,090	40.7%	2,368,937,254	953,816,120	40.3%
2004	2,251,242,280	901,876,911	40.1%	2,412,829,216	939,861,602	39.0%

Note: All data excludes interdepartmental and interfund transfer revenues.
Sales tax revenues budgeted and collected is gross of NIFA set-asides and expenses.

The County's sales tax is collected by the State. The total current sales tax rate in the County is 8-5/8%, of which (i) 43/8% is the State's share (including a 3/8% component that is imposed within the Metropolitan Commuter Transportation District pursuant to Section 1109 of the State Tax Law) and (ii) 4-¼% is the County's share, out of which the County (a) must allocate a ¼% component to towns and cities within the County under a local government assistance program established by the County and authorized pursuant to Section 1262-e of the Tax Law and (b) is authorized to allocate up to a 1/12% component to the villages within the County under a local government assistance program.

The County has enacted legislation to implement a local government assistance program with the villages for its 2007 through 2009 fiscal years. The amount so allocated for the 2006 fiscal year was approximately $1 million; the County projects the amount to be so allocated to the villages to be approximately $1.25 million in each of its 2007 and 2008 fiscal years.

Pursuant to Section 1261 of the Tax Law, all sales taxes, other than (i) amounts payable to towns, cities and villages in the County pursuant to a local government assistance program established by the County and (ii) amounts which the State Comptroller has reserved for refunds of taxes and the State's reasonable costs in administering, collecting and distributing such taxes, are paid by the State Comptroller to NIFA as long as NIFA bonds are outstanding. These monies are applied by NIFA in the following order of priority: first pursuant to NIFA's contracts with bondholders to pay debt service on NIFA notes and bonds, second to pay NIFA's operating expenses not otherwise provided for, and third pursuant to NIFA's agreements with the County to the County as frequently as practicable.

The State has authorized the County to continue to impose a 4 1/4% sales tax until November 30, 2009, and the County Legislature has implemented this authorization, although the County requires a waiver from the State due to a late filing with the State of the local authorization. If the County had not so implemented this authorization, the County portion of sales tax would have been reduced to 3%.

The State has, in the past, enacted amendments to the Tax Law to exempt specified goods and services from the imposition of sales taxes, or to reduce the rate of such taxes on such goods and services. There can be no assurance that future proposals will not result in additional exemptions or reductions.

Real Property Tax

Real property taxes, which are levied on an annual basis by the County for the fiscal year January 1 through December 31, are payable on February 10 and August 10 of each year. If the payments scheduled for February 10 are not received or postmarked by February 10 and the payments for August 10 are not received or postmarked by August 10, then in each case a penalty is assessed and monthly interest penalties of 1% per month additionally accrue for each month the delinquency continues plus additional fees until the taxes are paid or the receivable is sold at tax lien sale.

The total amount of real property taxes to be levied for County purposes for its 2008 fiscal year is approximately $773.3 million (Major Operating Funds only). The County projects that substantially all of the real property taxes will be received by September 30, 2008. The amount of such real property taxes (Major Operating Funds only) received by the County by September 30 and October 31 for each of the last four fiscal years is set forth in Figure 4.

FIGURE 4
PROPERTY TAX COLLECTION
MAJOR OPERATING FUNDS

Fiscal Year	Levy	Cumulative Amount Received By September 30	Cumulative Amount Received by October 31
2003	$738,711,111	$709,719,026	$709,742,001
2004	738,711,111	701,360,623	701,365,510
2005	738,711,109	713,141,311	713,162,348
2006	738,711,054	716,527,621	716,550,429
2007	758,371,054	727,240,042	728,435,109

The County's second largest source of revenues in the Major Operating Funds is the real property tax, which constitutes approximately 31.3% of total revenues in the 2008 Budget (excluding interdepartmental and interfund revenues). The levy of the property tax is at the sole discretion of the County, subject to constitutional and statutory limitations. The County is only at approximately 18.93% of its constitutional tax limit. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Tax Limit" herein. The 2008 Budget assumes a $15 million real property tax levy increase in the Major Operating Funds offset by a $15 million decrease in the Sewer and Storm Water Resources District Fund levy. Figure 5 shows property tax levies in the Major Operating Funds.

FIGURE 5
PROPERTY TAX LEVIES
MAJOR OPERATING FUNDS

Fund	2005 Levy	2006 Levy	2007 Levy	2008 Levy
Police District Fund	$309,306,781	$333,627,075	$331,639,639	$332,325,833
Police Headquarters Fund	252,897,540	258,049,976	287,070,223	279,632,013
General Fund	112,769,518	80,016,368	123,962,486	145,858,384
Parks, Recreation and Museums Fund*	48,293,581	51,167,929	0	0
Fire Prevention Fund	15,443,689	15,849,706	15,698,706	15,554,824
Total	**$738,711,109**	**$738,711,054**	**$758,371,054**	**$773,371,054**

* The Parks, Recreation and Museums Fund has been consolidated into the General Fund beginning in 2007.

The 2008-2011 Multi-Year Financial Plan has as one of its gap closing measures an increase in the property tax levy for approximately the amount generated by the addition to the tax roll of new construction.

The percentage of Major Operating Funds revenues derived from the property tax has varied in recent years depending on the size of the annual property tax levy. Figure 6 shows budgeted and actual (if available) property tax revenues compared to budgeted and actual total revenues for the Major Operating Funds.

FIGURE 6
BUDGETED AND ACTUAL PROPERTY TAX REVENUES
MAJOR OPERATING FUNDS

	Budgeted			Actual		
Fiscal Year	**Total Revenue**	**Property Tax Revenues**	**Property Tax as % of Total Revenues**	**Total Revenues**	**Property Tax Collected**	**Property Tax Collected as % of Total Revenues**
2008	$2,470,011,978	$773,371,054	31.3%	N/A	N/A	N/A
2007	2,410,825,867	758,371,054	31.5%	N/A	N/A	N/A
2006	2,355,426,962	738,711,054	31.4%	$2,339,482,935	$739,575,163	31.6%
2005	2,368,625,777	738,711,109	31.2%	2,368,937,254	745,914,600	31.5%
2004	2,251,242,280	738,711,111	32.8%	2,412,829,216	743,001,328	30.8%

Note: All data excludes interdepartmental and interfund transfer revenues.

The County typically collects approximately 97% of its levy in the fiscal year in which it is due. Most of the remaining 3% is collected within two years, as shown in Figure 7.

FIGURE 7
PROPERTY TAX COLLECTIONS VERSUS LEVY
(IN THOUSANDS)
MAJOR OPERATING FUNDS

Fiscal Year Beginning	Total Ad Valorem or General Property Tax	Uncollected at End of Fiscal Year	Percentage Uncollected at End of Fiscal Year	Uncollected as of October 31, 2007	Percentage Uncollected as of October 31, 2007
January 1, 2008	$773,371	N/A	N/A	N/A	N/A
January 1, 2007	758,371	N/A	N/A	N/A	N/A
January 1, 2006	738,711	$19,291	2.6115%	$839	.1136%
January 1, 2005	738,711	20,924	2.8325%	578	.0782%
January 1, 2004	738,711	17,959	2.4311%	452	.0612%

See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION" herein.

State and Federal Aid

Approximately 13.8% of the total revenues in the 2008 Budget come from federal and State reimbursement mainly for mandated entitlement programs, mostly for human services. Consequently, changes in the amount of County revenues derived from federal and State aid result from the levels of payments in connection with Medicaid, public assistance, day care, foster care, early intervention and special education.

Overall, federal and State aid levels have dropped slightly in recent years in some non-mandated areas, such as State probation aid, State transportation aid and federal reimbursement for local correctional center custody of aliens held on behalf of the federal government.

Departmental Revenues

Departmental revenues include a wide variety of receipts generated by County departments, including parks usage fees, inspection fees, registration and licensing fees, data sales and permit fees. The County has raised certain fees in recent years, particularly in fiscal years 2000, 2003 and 2005.

Other Revenues

The remainder of the County's revenue comes from several sources, among which are prior-year recoveries, contract disencumbrances, interest penalties on delinquent taxes, investment income, miscellaneous revenues and special taxes. These include the off-track betting tax, the hotel/motel occupancy tax and the motor vehicle registration surcharge.

Expenditures

The County charges expenditures to the Major Operating Funds to fund personnel-related costs, Medicaid, other social services entitlement programs, contractual services, debt service and a variety of other expenditures. Figure 8 shows annual expenditures by category.

FIGURE 8
EXPENDITURES BY CATEGORY
MAJOR OPERATING FUNDS

EXPENDITURE CATEGORY	2004	2005	2006	Adopted 2007 Budget	2007 (Projected as of October 2007)	Adopted 2008 Budget
SALARIES & WAGES	$740,233,395	$784,252,654	$801,531,668	$826,976,588	$832,097,811	$855,007.143
FRINGE BENEFITS	322,223,830	349,179,136	379,118,929	433,407,684	418,141,958	388,398,214
MEDICAID	247,553,091	238,948,840	212,598,284	218,024,984	218,024,984	225,698,854
MEDICAID IGT	121,715,135	40,973,707	1,171,947	0	0	0
DSS ENTITLEMENT PROGRAMS	140,793,931	142,553,122	143,307,894	155,422,816	145,795,126	147,647,397
CONTRACTUAL SERVICES	159,626,424	121,929,372	134,540,248	133,564,401	133,662,112	136,517,138
ADMINISTRATIVE EXPENSES	76,929,017	75,432,252	76,675,552	81,178,650	78,249,388	80,468,912
DEBT SERVICE (Interest & Principal)*	232,132,291	176,281,941	145,215,305	124,919,919	121,266,332	131,002,547
LOCALGOVERNMENT ASSISTANCE	55,516,592	56,946,225	59,742,639	62,046,922	61,686,299	62,621,959
MASS TRANSPORTATION	41,214,474	45,172,998	45,902,617	47,236,304	46,933,855	47,370,357
OTHER EXPENSES	313,198,367	324,138,791	363,425,196	411,670,993	444,222,690	483,788,927
INTERFUND/INTERDEPARTMENTAL TRANSFERS	390,369,786	366,344,540	384,163,387	364,604,992	363,502,861	391,912,363
TOTAL	**$2,841,486,333**	**$2,722,153,578**	**$2,747,393,666**	**$2,859,044,253**	**$2,863,583,416**	**$2,950,433,811**

** Does not include value of NIFA set-asides which are included in Other Expenses.*

Figure 9 shows annual expenditures by fund, excluding interfund and interdepartmental expenses, in the Major Operating Funds.

FIGURE 9
EXPENDITURES BY FUND
MAJOR OPERATING FUNDS

Fund	2006 Actual	2007 Budget	2008 Budget
GENERAL FUND	$1,420,119,711	$1,539,640,269	$1,584,811,460
DEBT SERVICE FUND	290,592,260	299,877,808	314,726,838
POLICE DISTRICT FUND	303,981,203	321,820,294	328,138,625
POLICE HEADQUARTERS FUND	290,317,966	315,046,229	312,048,401
PARKS, RECREATION AND MUSEUMS FUND*	41,083,012	0	0
FIRE PREVENTION FUND	17,136,127	18,054,661	18,796,124
Total	**$2,363,230,279**	**$2,494,439,261**	**$2,558,521,448**

* The Parks, Recreation and Museums Fund was consolidated into the General Fund in 2007.

Personnel-Related Expenditures

The largest category of expenditures in the Major Operating Funds is for personnel-related costs, including employee earnings and fringe benefits expenses, which comprise approximately 50% of total Major Operating Funds expenditures in the 2008 Budget.

Employee Earnings

Employee earnings include base wages, overtime, termination pay and other payments made to employees. Growth relates primarily to annual step increases and cost of living increases pursuant to collective bargaining agreements (see Appendix F – COUNTY WORKFORCE for details of wage packages and agreements). The County's workforce reduction initiative, which has resulted in a 628-person reduction in the size of the full-time workforce in the Major Operating Funds between January 2002 and November 2007, has partially offset this baseline wage growth since fiscal year 2002, as shown in Figure 10.

FIGURE 10
FULL-TIME EMPLOYEES

Date	**Full-Time Employees**
January 2002	9,475
November 2007	8,847

Health Insurance Contributions

Currently, the County pays the entire cost of health insurance coverage for all active employees and retirees other than non-union employees hired since January 1, 2002, for whom it pays 90% of the cost for family coverage and 95% of the cost for individual coverage. The vast majority of County employees are enrolled in the State's Empire Plan, though the County offers several other plans to its employees.

Health insurance rates are set by the State with respect to employees enrolled in the Empire Plan. Over the last five years, the County's health insurance costs have increased by 60% for active employees and 54% for retirees. The 2008 Budget assumes a 7.0% increase for active employees and a 5.25% increase for retirees. In 2007, the County has experienced a 6.5% health insurance growth rate for active employees (compared to the 7.0% rate incorporated into the Adopted Budget) and a flat effective health insurance growth rate for retired employees. Figure 11 displays the growth in County's health insurance costs.

FIGURE 11
HEALTH INSURANCE COSTS

Health Insurance Category	2004	2005	2006	Adopted 2007 Budget	2007 Projected as of October 2007	Adopted 2008 Budget
Active Employees	$80,455,061	$89,777,754	$101,479,559	$111,901,916	$108,217,778	$119,322,241
Retirees	71,383,571	90,992,634	96,089,548	97,962,213	96,560,048	101,336,921
Total Health Insurance	**$151,838,632**	**$180,770,388**	**$197,569,107**	**$209,864,129**	**$204,777,836**	**$220,659,162**

Pension Contributions

The majority of County employees are members of the New York State and Local Employees' Retirement System (the "ERS"), a defined benefit plan. Sworn County police officers are members of the New York State and Local Police and Fire Retirement System (the "PFRS"), also a defined benefit plan. Faculty members at Nassau Community College ("NCC") have the option, within 30 days of appointment, of choosing between membership in the ERS, the New York State Teachers Retirement System (the "TRS"), a defined benefit plan, and the Teachers Insurance Annuity Association/College Retirement Equities Fund (the "TIAA/CREF"), a defined contribution plan. Personnel employed prior to July 27, 1976, except those selecting the TIAA/CREF option, do not contribute to ERS or TRS, as the County fully funds their pension costs. The Community College Fund is not one of the Major Operating Funds (see "Other Funds" within this section); therefore, employees of NCC are not defined as full-time County employees.

The County is required to make contributions on behalf of its employees into the pension system (employees hired on or after July 27, 1976 who have worked less than ten years are required to contribute 3% of their gross salaries). Its expenses are funded on an actuarial basis determined by the State, and it is assessed on an annual basis for its share of the State retirement system's pension costs. The County's local pension contributions have risen dramatically since fiscal year 2000. In particular, in fiscal year 2000 the County's average contribution was 0.1% of payroll for ERS members and 8.3% for PFRS members. In fiscal year 2007, the contribution rate will average 11.07% of payroll for ERS members and 18.22% for PFRS members. This has resulted in substantial increases in the County's pension costs, as shown in Figure 11.

State law enacted in 2003 requires the County to make a minimum contribution of 4.5% of payroll every year. In 2004, State law was enacted moving the annual payment date for contributions from December 15 of each year to February 1 of the following year. The law further allows a ten-year amortization through the State Comptroller's office, at market rates, of the portion of the bills for the 2004 through 2007 fiscal years that exceed a certain percentage of payrolls. The County may also issue federally taxable debt to fund such excess pension obligations, although the County does not currently anticipate issuing such debt.

By deferring the pension payment date from December 15 to February 1, the State allowed governments that operate on a calendar year (such as the County) to avoid accruing pension contribution expenses in the 2004 fiscal year, thereby creating – on a budgetary basis – a one-time reprieve from these pension expenses. The impact of this deferral on the County's 2004 finances was a savings of $78.5 million in the Major Operating Funds, which was reserved in full to assist the County in making future pension payments. The County recognized this liability during 2004 consistent with the GASB's guidance regarding the correct accounting treatment of pension expense for financial reporting purposes. However, consistent with the intent of the State legislation, the County did not recognize the obligation on a budgetary basis until 2005. This resulted in a significant decrease in the County's 2004 pension costs and a significant increase in such costs in 2005, as shown in Figure 12. From the 2006 surplus, the County added $16 million to its reserves.

The County used $34.4 and $26.4 million of the reserve in 2005 and 2006, respectively, to pay part of its 2005 and 2006 pension bills from the State. The 2007 Budget assumes the use of $33.5 million, and the 2008 Budget assumes the use of $24.5 million of the reserve to pay part of the County's pension bill in 2007, and 2008, respectively. The 2008-2011 Multi-Year Financial Plan has, as a gap closing measure, the use of the remainder of the reserve, approximately $0.4 million.

FIGURE 12
PENSION COSTS

Pension System	2003	2004	2005	2006	Adopted 2007 Budget	2007 Projected as of October 2007	Adopted 2008 Budget
Employees Retirement System (ERS)	$35,283,696	$4,561,727	$36,199,006	$37,358,160	$32,703,682	$31,834,151	$30,687,215
Police and Fire Retirement System (PFRS)	18,857,359	4,701,246	47,490,709	39,337,656	50,026,033	49,968,262	45,714,291
Total	**$54,141,055**	**$9,262,973**	**$83,689,715**	**$76,695,816**	**$82,729,715**	**$81,802,413**	**$76,401,506**
Draw from reserve fund	0	0	34,405,384	33,458,590	26,400,000	26,400,000	24,500,000
Total Pension Payment	**$54,141,055**	**$9,262,973**	**$118,095,099**	**$110,154,406**	**$109,129,715**	**$108,202,413**	**$100,901,506**

Medicaid

Under the Medicaid cap law established in 2006, local expenses are capped at a formula driven base amount, which is a percentage growth from certain actual 2005 local share expenses, less certain 2005 Medicaid-related revenues (the Medicaid base). The Medicaid base was finalized on June 30, 2006 for all counties.

The County's 2007 Medicaid appropriation, which includes the impact of an annual level $14 million Indigent Care payment to NUMC, will be $218 million, increasing to $225.7 million in 2008. The County has elected to continue to pay an annual increase of 3% of each prior year, rather than to swap with the State an equivalent percentage of sales tax revenue otherwise payable to the County. This option was afforded by the State through September 2007, and the decision is permanent. The 2007-2010 Multi-Year Financial Plan reflects Medicaid expenses of $231.7 million in 2009 and $237.4 million in 2010.

Other Social Services Entitlement Programs

Other County Department of Social Services entitlement programs comprise approximately 4.7% of the 2008 Budget, such as payments for public assistance, foster care, day care and preventive services, the majority of which are partially reimbursed by the federal government or the State. Over the past five years, this expenditure category has remained relatively flat, primarily due to declining public assistance and day care caseloads and State-mandated rate increases.

Contractual Services

Contractual services total 4.6% of the 2008 Budget. This category covers payments to outside vendors for a variety of services including community-based human services programming, consulting and legal services.

Annual growth in contractual services expenditures has varied over the last five years. The County experienced a sizeable increase in contractual services spending in fiscal year 2003 because it invested non-recurring surplus resources to pre-pay non-recurring expenses for technology upgrades and its building consolidation program. It reported a 12.0% decrease in the Major Operating Funds in fiscal year 2004 in this category as a benefit of using these one-time resources for these expenditures.

Debt Service

Debt service expenditures, which include interest and principal payments and NIFA set-asides, are expected to total $314.7 million in fiscal year 2008, and are the third largest category of expenditures in the operating budget. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS" herein.

Other Expenses

The remainder of the County's expenditures falls into several categories including: special education; the local government assistance program to cities, towns and villages; mass transportation subsidies; mandated payments to NHCC; and other-than-personal services costs for utilities and administrative expenses.

Other Funds

In addition to the Major Operating Funds, the County allocates revenues and expenditures into several other special revenue funds. Among these are:

The Community College Fund supports the County's financial obligations with respect to NCC, which receives approximately 30% of its operating revenues from a dedicated property tax levied County-wide.

The Sewer and Storm Water Resources District Fund is self-supporting and contains funding for the County's sewage disposal and collection system as well as the storm water system. It covers expenses related to County Department of Public Works employees assigned to these functions and associated debt service costs.

The Capital Fund contains expenses associated with the County's infrastructure improvement program and bonded judgments and settlements, including property tax refunds. The bulk of revenue supporting the Capital Fund comes from the proceeds of debt issued by or on behalf of the County. A lesser amount originates from non-County sources such as the federal government and the State. Other amounts come from County operating funds.

The County receives outside funding, primarily from the federal government and the State, that completely funds the cost of certain programs, most of which are for health and human services and public safety, which it allocates to the Grant Fund. Because generally accepted accounting principles preclude the County from assuming grant revenues in the budget before receipt is assured, outside reimbursements and expenses are recognized in the Grant Fund by supplemental appropriation only after the fiscal year has started and receipt of the funds is assured.

The Open Space Fund contains revenues generated from County real-estate sales, private gifts and grants to preserve undeveloped land in the County.

COUNTY INDEBTEDNESS AND DEBT LIMITATIONS

Computation of County Debt Limit

The Constitutional limit of total indebtedness that can be incurred by the County is 10% of the average full valuation of real estate for the latest five years. See "COUNTY INDEBTEDNESS AND DEBT LIMITATION – Constitutional Provisions." Figure 13 sets forth the debt limit of the County and its debt contracting margin. As shown in Figure 13, the County's outstanding debt is equal to 15.86% of the constitutional debt limit and the County has substantial additional debt issuance capacity.

Figure 13

STATEMENT OF CONSTITUTIONAL DEBT MARGIN

(As of October 31, 2007)

(In Thousands)

Average Full Valuation of Real Estate for the Fiscal Years Ended in 2003 Through 2007	
2007 Full Valuation	$244,238,974
2006 Full Valuation	212,313,816
2005 Full Valuation	193,592,238
2004 Full Valuation	179,807,935
2003 Full Valuation	161,160,799
	$991,113,762
Average Full Valuation	$198,222,752
Constitutional Debt Margin:	
Constitutional Limit of Total Indebtedness, 10% Average Full Valuation	$19,822,275
Outstanding Indebtedness	
General Government	$296,725
NIFA	2,038,500
Sewer District	83,497
Environmental Facilities Corporation	148,915
Bonds	162,345
Real Property Liabilities	7,700
Guarantees	315,110
Contract Liabilities	202,741
Total Outstanding Indebtedness	$3,255,533
Less: Constitutional Exclusions	
Cash and Investments - Capital Projects Funds	$37,218
Tax and Revenue Anticipation Notes	75,000
Less: Total Exclusions	$112,218
Net Outstanding Indebtedness (15.86%)	$3,143,315
Constitutional Debt Margin (84.14%)	$16,678,960

Outstanding County Bonds

Figure 14 shows Outstanding County and NIFA bonds and the purposes for which such debt was issued.

FIGURE 14
OUTSTANDING BONDS
(AS OF OCTOBER 31, 2007)

General Purposes[1]	
County Debt	$ 299,484,477
NIFA Debt	1,984,956,462
Subtotal	$2,284,440,939
Sewer District Purposes[2]	
County Debt	$237,222,126
NIFA Debt	53,543,538
Subtotal	$290,765,664
Total	$2,575,206,603

1 Includes debt issued for certain County-wide projects to EFC.

2 Includes debt issued for Nassau County Sewer and Storm Water Resources District purposes to EFC.

See herein for a list of outstanding County and NIFA obligations.

Figure 15 sets forth the amount of County debt that has been authorized but unissued by purpose.

FIGURE 15
SUMMARY OF BONDS
AUTHORIZED BUT UNISSUED
AS OF DECEMBER 31, 2006 (IN THOUSANDS)

Purpose	**Amount Authorized but Unissued**
Community College	$ 10,803
Health	10,410
Information Technology	14,988
Infrastructure	321,645
Land Acquisition	24,109
Mass Transportation	52,353
Miscellaneous	2,301
Parks & Recreation	52,468
Public Safety	67,721
Sewer & Storm Water	89,142
Special Equipment	6,058
Property Tax Refunds & Other Judgments & Settlements	246,094
Total	$898,092

The authorized amounts in Figure 14 refer to amounts for which the County has adopted ordinances authorizing the issuance of debt for capital projects and other purposes pursuant to the Local Finance Law, but has not yet issued debt (on its own or through another issuer such as NIFA) pursuant to such authority. Such authorization expires ten years after adoption of the approving bond ordinance if it has not been used or rescinded prior to that time. Pursuant to the County Charter, any purposes or projects authorized by such ordinances must also be included in the County's capital budget prior to the County borrowing for such purposes or projects. See "CAPITAL PLANNING AND BUDGETING" herein.

Debt Service Requirements

Figure 16, Figure 17 and Figure 18 set forth the principal and interest payments on various categories of outstanding County bonds and NIFA bonds.

Figure 16

Total County and NIFA Debt Service
(as of October 31, 2007)

	County Bonds [1,2]			NIFA Bonds[3]			Total		
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2007	$9,250,914	$5,141,211	$14,392,125	$31,771,667	$28,140,385	$59,912,052	$41,022,581	$33,281,596	$74,304,177
12/31/2008	110,065,689	26,488,790	136,554,479	98,298,333	83,180,310	181,478,643	208,364,022	109,669,100	318,033,123
12/31/2009	96,440,500	20,859,870	117,300,370	104,486,667	79,055,426	183,542,093	200,927,167	99,915,296	300,842,463
12/31/2010	80,305,500	15,920,944	96,226,444	109,850,000	74,149,857	183,999,857	190,155,500	90,070,801	280,226,301
12/31/2011	56,373,500	12,064,777	68,438,277	128,035,000	69,041,261	197,076,261	184,408,500	81,106,038	265,514,538
12/31/2012	31,827,500	9,349,988	41,177,488	146,986,667	62,939,484	209,926,150	178,814,167	72,289,471	251,103,638
12/31/2013	26,839,000	7,778,595	34,617,595	149,571,667	55,906,816	205,478,483	176,410,667	63,685,411	240,096,078
12/31/2014	20,513,000	6,394,601	26,907,601	144,960,000	49,180,520	194,140,520	165,473,000	55,575,122	221,048,122
12/31/2015	18,764,000	5,372,050	24,136,050	141,400,000	42,779,478	184,179,478	160,164,000	48,151,528	208,315,528
12/31/2016	11,711,000	4,580,317	16,291,317	134,161,667	36,543,941	170,705,607	145,872,667	41,124,258	186,996,925
12/31/2017	10,635,000	4,003,886	14,638,886	124,745,000	31,034,185	155,779,185	135,380,000	35,038,071	170,418,071
12/31/2018	8,955,000	3,490,012	12,445,012	120,690,000	25,822,519	146,512,519	129,645,000	29,312,531	158,957,531
12/31/2019	8,608,000	3,019,395	11,627,395	124,423,333	21,029,564	145,452,897	133,031,333	24,048,959	157,080,292
12/31/2020	8,838,000	2,541,449	11,379,449	112,166,667	16,385,981	128,552,647	121,004,667	18,927,430	139,932,096
12/31/2021	7,876,000	2,038,544	9,914,544	89,941,667	12,019,744	101,961,411	97,817,667	14,058,288	111,875,955
12/31/2022	8,204,000	1,577,036	9,781,036	77,485,000	8,299,590	85,784,590	85,689,000	9,876,626	95,565,626
12/31/2023	6,985,000	1,117,290	8,102,290	60,855,000	4,951,851	65,806,851	67,840,000	6,069,141	73,909,141
12/31/2024	5,720,000	741,295	6,461,295	42,816,667	2,450,760	45,267,427	48,536,667	3,192,056	51,728,722
12/31/2025	3,590,000	396,661	3,986,661	15,880,000	700,263	16,580,263	19,470,000	1,096,924	20,566,924
12/31/2026	1,310,000	258,886	1,568,886	0	0	0	1,310,000	258,886	1,568,886
12/31/2027	1,355,000	189,519	1,544,519	0	0	0	1,355,000	189,519	1,544,519
12/31/2028	1,400,000	117,633	1,517,633	0	0	0	1,400,000	117,633	1,517,633
12/31/2029	795,000	55,774	850,774	0	0	0	795,000	55,774	850,774
12/31/2030	65,000	14,278	79,278	0	0	0	65,000	14,278	79,278
12/31/2031	70,000	11,194	81,194	0	0	0	70,000	11,194	81,194
12/31/2032	70,000	7,996	77,996	0	0	0	70,000	7,996	77,996
12/31/2033	70,000	4,797	74,797	0	0	0	70,000	4,797	74,797
12/31/2034	70,000	1,599	71,599	0	0	0	70,000	1,599	71,599
Total	$536,706,603	$133,538,389	$670,244,992	$1,958,525,000	$703,611,935	$2,662,136,935	$2,495,231,603	$837,150,324	$3,332,381,927

1 Payments under the 2004 County Guaranty are not included in the chart
2 Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations
3 Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and assumes an interest rate of 5 05% on the NIFA Series 2002A, Series 2002B, 2005B and 2005C variable rate bonds, and the rate on the NIFA 2004 Series B-G and I-K auction rate debt is calculated using the fixed rate swap

Figure 17

County and NIFA Debt Service on Debt Issued for County Sewer and Storm Water Resources Purposes
(as of October 31, 2007)

	County Bonds [1 2]			NIFA Bonds[3]			**Total**		
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2007	$1,756,122	$3,322,896	$5,079,018	$825,707	$735,139	$1,560,846	$2,581,829	$4,058,034	$6,639,863
12/31/2008	30,755,597	12,078,883	42,834,481	2,609,761	2,173,856	4,783,617	33,365,358	14,252,739	47,618,097
12/31/2009	26,174,062	10,571,623	36,745,685	2,916,516	2,064,812	4,981,328	29,090,579	12,636,435	41,727,013
12/31/2010	22,624,565	9,210,405	31,834,970	3,362,504	1,926,170	5,288,675	25,987,069	11,136,575	37,123,645
12/31/2011	17,868,406	8,109,031	25,977,436	3,977,856	1,763,726	5,741,582	21,846,262	9,872,756	31,719,018
12/31/2012	16,400,928	7,189,134	23,590,062	3,745,050	1,564,566	5,309,615	20,145,978	8,753,700	28,899,677
12/31/2013	14,180,052	6,373,141	20,553,193	3,835,571	1,389,713	5,225,284	18,015,623	7,762,854	25,778,477
12/31/2014	13,409,163	5,636,505	19,045,668	3,833,060	1,232,950	5,066,009	17,242,223	6,869,454	24,111,677
12/31/2015	12,386,380	4,971,346	17,357,726	3,707,654	1,080,855	4,788,509	16,094,034	6,052,201	22,146,235
12/31/2016	9,613,837	4,406,045	14,019,882	4,261,169	934,929	5,196,098	13,875,006	5,340,974	19,215,980
12/31/2017	8,652,587	3,929,454	12,582,041	3,867,704	777,221	4,644,925	12,520,291	4,706,675	17,226,966
12/31/2018	8,374,427	3,476,949	11,851,376	3,713,456	629,075	4,342,531	12,087,883	4,106,024	16,193,907
12/31/2019	8,608,000	3,019,395	11,627,395	4,068,733	489,904	4,558,637	12,676,733	3,509,299	16,186,032
12/31/2020	8,838,000	2,541,449	11,379,449	3,370,112	347,875	3,717,986	12,208,112	2,889,324	15,097,435
12/31/2021	7,876,000	2,038,544	9,914,544	1,902,266	224,141	2,126,407	9,778,266	2,262,685	12,040,951
12/31/2022	8,204,000	1,577,036	9,781,036	1,526,252	146,223	1,672,475	9,730,252	1,723,259	11,453,511
12/31/2023	6,985,000	1,117,290	8,102,290	1,146,793	79,762	1,226,555	8,131,793	1,197,052	9,328,846
12/31/2024	5,720,000	741,295	6,461,295	590,030	32,338	622,368	6,310,030	773,633	7,083,663
12/31/2025	3,590,000	396,661	3,986,661	177,292	8,779	186,072	3,767,292	405,440	4,172,733
12/31/2026	1,310,000	258,886	1,568,886	0	0	0	1,310,000	258,886	1,568,886
12/31/2027	1,355,000	189,519	1,544,519	0	0	0	1,355,000	189,519	1,544,519
12/31/2028	1,400,000	117,633	1,517,633	0	0	0	1,400,000	117,633	1,517,633
12/31/2029	795,000	55,774	850,774	0	0	0	795,000	55,774	850,774
12/31/2030	65,000	14,278	79,278	0	0	0	65,000	14,278	79,278
12/31/2031	70,000	11,194	81,194	0	0	0	70,000	11,194	81,194
12/31/2032	70,000	7,996	77,996	0	0	0	70,000	7,996	77,996
12/31/2033	70,000	4,797	74,797	0	0	0	70,000	4,797	74,797
12/31/2034	70,000	1,599	71,599	0	0	0	70,000	1,599	71,599
Total	$237,222,126	$91,368,757	$328,590,884	$53,437,487	$17,602,032	$71,039,519	$290,659,614	$108,970,789	$399,630,403

1 Payments under the 2004 County Guaranty are not included in the chart

2 Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations

3 Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and assumes an interest rate of 5 05% on the NIFA Series 2002A, Series 2002B, 2005B and 2005C variable rate bonds, and the rate on the NIFA 2004 Series B-G and I-K auction rate debt is calculated using the fixed rate swap

Figure 18

County and NIFA Debt Service on Debt Issued for County General Purposes
(as of October 31, 2007)

	County Bonds [1,2]			NIFA Bonds[3]			Total		
Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2007	$7,494,792	$1,818,316	$9,313,108	$30,945,960	$27,405,246	$58,351,206	$38,440,752	$29,223,562	$67,664,314
12/31/2008	79,310,092	14,409,907	93,719,999	95,688,572	81,006,454	176,695,027	174,998,664	95,416,361	270,415,026
12/31/2009	70,266,438	10,288,248	80,554,685	101,570,150	76,990,614	178,560,765	171,836,588	87,278,862	259,115,450
12/31/2010	57,680,935	6,710,539	64,391,474	106,487,496	72,223,687	178,711,182	164,168,431	78,934,226	243,102,656
12/31/2011	38,505,094	3,955,746	42,460,840	124,057,144	67,277,535	191,334,680	162,562,238	71,233,281	233,795,520
12/31/2012	15,426,572	2,160,854	17,587,426	143,241,617	61,374,918	204,616,535	158,668,189	63,535,772	222,203,961
12/31/2013	12,658,948	1,405,455	14,064,403	145,736,095	54,517,103	200,253,198	158,395,043	55,922,558	214,317,601
12/31/2014	7,103,837	758,097	7,861,934	141,126,940	47,947,571	189,074,511	148,230,777	48,705,667	196,936,444
12/31/2015	6,377,620	400,704	6,778,324	137,692,346	41,698,623	179,390,969	144,069,966	42,099,327	186,169,293
12/31/2016	2,097,163	174,272	2,271,435	129,900,498	35,609,012	165,509,510	131,997,661	35,783,284	167,780,945
12/31/2017	1,982,413	74,432	2,056,845	120,877,296	30,256,964	151,134,260	122,859,709	30,331,397	153,191,105
12/31/2018	580,573	13,063	593,636	116,976,544	25,193,445	142,169,989	117,557,117	25,206,508	142,763,625
12/31/2019	0	0	0	120,354,601	20,539,659	140,894,260	120,354,601	20,539,659	140,894,260
12/31/2020	0	0	0	108,796,555	16,038,106	124,834,661	108,796,555	16,038,106	124,834,661
12/31/2021	0	0	0	88,039,401	11,795,603	99,835,003	88,039,401	11,795,603	99,835,003
12/31/2022	0	0	0	75,958,748	8,153,367	84,112,115	75,958,748	8,153,367	84,112,115
12/31/2023	0	0	0	59,708,207	4,872,089	64,580,295	59,708,207	4,872,089	64,580,295
12/31/2024	0	0	0	42,226,637	2,418,423	44,645,059	42,226,637	2,418,423	44,645,059
12/31/2025	0	0	0	15,702,708	691,484	16,394,191	15,702,708	691,484	16,394,191
12/31/2026	0	0	0	0	0	0	0	0	0
12/31/2027	0	0	0	0	0	0	0	0	0
12/31/2028	0	0	0	0	0	0	0	0	0
12/31/2029	0	0	0	0	0	0	0	0	0
12/31/2030	0	0	0	0	0	0	0	0	0
12/31/2031	0	0	0	0	0	0	0	0	0
12/31/2032	0	0	0	0	0	0	0	0	0
12/31/2033	0	0	0	0	0	0	0	0	0
12/31/2034	0	0	0	0	0	0	0	0	0
Total	$299,484,477	$42,169,632	$341,654,108	$1,905,087,513	$686,009,904	$2,591,097,416	$2,204,571,989	$728,179,535	$2,932,751,525

1 Payments under the 2004 County Guaranty are not included in the chart

2 Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations

3 Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and assumes an interest rate of 5 05% on the NIFA Series 2002A, Series 2002B, 2005B and 2005C variable rate bonds, and the rate on the NIFA 2004 Series B-G and I-K auction rate debt is calculated using the fixed rate swap

Prior to July of 2000, the County's debt issuance policy produced rapidly declining debt service and accelerating principal amortization. These practices produced large debt service payments in the first five to ten years after the bonds were issued. The consistent utilization of these amortization structures created a high near-term debt service burden, which rapidly declined. NIFA has issued debt based on a level annual debt service amortization structure with a 20-year term. This practice creates substantially equal annual payments of debt service for each series of bonds and has effectively extended the weighted average life of the County's total outstanding debt and has created an almost level debt service burden in the future.

The County has historically funded substantially all of its significant capital expenditures with bond proceeds. It is the County's current goal to transition to funding shorter-lived assets with current revenues. Prior to 2006, the County had also funded all of its costs associated with payment of property tax refunds with bonds. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Administrative Review of Assessments*" and "LITIGATION – Property Tax Litigation" herein. The County intends to transition gradually away from the use of bond proceeds to finance non-property tax refund judgments and settlements. See "LITIGATION" herein.

The County was involved in completion of a number of interest rate exchange agreements in 2004. During that year, NIFA issued $600 million in auction rate securities that were hedged through a series of LIBOR-based interest rate swaps and the NHCC, backed by the 2004 County Guaranty (as defined in "NASSAU HEALTH CARE CORPORATION" herein) entered into three LIBOR-based interest rate swaps with a notional amount of $219.6 million that hedged a like amount of variable rate demand obligations. Additionally, NHCC executed a callable floating-to-fixed LIBOR-based interest rate swap with a notional amount of $65.5 million that hedged a like amount of taxable auction rate debt. LIBOR-based interest rate swaps carry certain risks, notably basis risk, tax risk, counterparty or credit risk, termination risk, and rollover risk. Though the County is not a counterparty to any of these interest rate exchange agreements, the County's financial position may be affected in certain instances by their performance. The County understands and regularly monitors these risks. See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – Swap Policy" and "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein.

Refunded Bonds

Various outstanding County serial bond issues have been refunded for present value debt service savings, in addition to County bonds restructured by NIFA. The County anticipates the refinancing of outstanding indebtedness whenever the present value savings of such transactions, taking into account costs of issuance, so warrant, provided that the refinancing opportunity meets the criteria established in the County's debt policy. See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management - *Debt Policy*" herein.

Capital Leases

The County has entered into various capital leases, installment sales contracts and lease purchase agreements. Figure 19 shows the future minimum lease payments due on such obligations and the present value of these minimum payments.

FIGURE 19
MINIMUM LEASE PAYMENTS
CAPITAL LEASES (IN THOUSANDS)
AS OF DECEMBER 31, 2006

Fiscal Year Ending December 31:	
2007	$741
2008	749
2009	757
2010	766
2011	777
2012-2016	4,052
2017-2021	4,367
2022-2026	3,348
Future Minimum Payments	$15,557
Less Interest	9,990
Present Value Minimum Lease Payments	$5,567

The County enters into capital leases, lease purchase agreements or installment sales contracts in the ordinary course of business.

Short-Term Indebtedness

The County expects to issue bond anticipation notes ("BANs") for County purposes and by issuing tax anticipation notes ("TANs") and revenue anticipation notes ("RANs") cashflow purposes.

Bond Anticipation Notes

The County utilizes BANs for short-term financing of capital expenditures with the expectation that the principal amount thereof will be refinanced with the proceeds of long-term bonds or repaid with State or federal funds. Figure 20 shows recent and expected issuance of BANs by the County. Currently, the County has $87.35 million of BANs outstanding.

FIGURE 20
SHORT-TERM INDEBTEDNESS
BOND ANTICIPATION NOTES (IN MILLIONS)

2004	2005	2006	2007	2008 [1]
$0.00	$0.00	$0.00	$87.35	$150.00

[1]Projected

Cash Flow Notes

The County has periodically issued RANs and TANs to fund the County's short-term cash flow needs. Figure 21 shows recent and expected issuance of RANs and TANs by the County.

FIGURE 21
SHORT-TERM INDEBTEDNESS
CASH FLOW NOTES (IN MILLIONS)

Obligation	**2005**	**2006**	**2007**	**2008** [1]
Revenue Anticipation Notes	$ 0.00	$ 0.00	$ 75.00	$ 88.00
Tax Anticipation Notes	120.00	150.00	125.00	132.00
Total	$ 120.00	$ 150.00	$ 200.00	$ 220.00

[1] Projected.

In the 2008-2011 Multi-Year Financial Plan, the County projects that it will continue to undertake one or more cash flow borrowings annually.

Current and Projected Bond Issuance

In order to finance various general capital programs, property tax refunds (subject to the NIFA Act; see "MONITORING AND OVERSIGHT – External – *NIFA*" and "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Administrative Review of Assessments*" herein) and other judgments and settlements, the County will issue up to $75 million in bonds in 2007, and an additional $200 million of bonds during 2008.

FIGURE 22
COUNTY BONDS (IN MILLIONS)

2007	**Projected 2008**
$75.00	$200.00

See "CAPITAL PLANNING AND BUDGETING" herein for additional information concerning the County's projected borrowings.

Constitutional Provisions

Limitations on indebtedness (some of which apply to the 2004 County Guaranty as hereinafter described below under the heading "NASSAU HEALTH CARE CORPORATION") are found in Article VIII of the State Constitution and are implemented by the Local Finance Law. The provisions of Article VIII referred to in the following summaries are generally applicable to the County and the obligations authorized by its County Legislature. There is no constitutional limitation on the amount that may be raised by the County by tax upon real estate in any fiscal year to pay principal of and interest on County indebtedness.

Article VIII, Section 1

The County shall not give or loan any money or property to or in aid of any individual or private corporation, association or private undertaking nor shall the County give or loan its credit to or in aid of any of the foregoing or a public corporation. This provision does not prevent a county from contracting indebtedness for the purpose of advancing to a town or school district pursuant to law the amount of unpaid taxes returned to such county. Notwithstanding the provisions of Article VIII, Section 1 of the State Constitution, Article 17, Section 7 provides that the State Legislature may authorize a municipality to lend its money or credit to or in aid of any corporation or association, regulated by law as to its charges, profits, dividends, and disposition of its property or franchises, for the purpose of providing such hospital or other facilities for the prevention, diagnosis or treatment of human disease, pain, injury, disability, deformity or physical condition, and for facilities incidental or appurtenant thereto as may be prescribed by law.

Article VIII, Section 2

The County shall not contract indebtedness except for a County purpose. No such indebtedness shall be contracted for longer than the period of probable usefulness of the purpose or, in the alternative, the weighted average period of probable usefulness of the several purposes, for which it is contracted and in no event may this period exceed forty years. The County must pledge its faith and credit for the payment of the principal of and the interest on any of its indebtedness. Except for certain short-term indebtedness contracted in anticipation of the collection of taxes and indebtedness to be paid within one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, all indebtedness shall be paid in annual installments. Indebtedness must be paid in annual installments commencing not more than two years after the debt was contracted and no installment shall be more than 50% in excess of the smallest prior installment unless the governing body of the County provides for and utilizes substantially level or declining annual debt service payments. Provision shall be made annually by appropriation by the County for the payment of interest on all indebtedness and for the amounts required for the amortization and redemption of serial bonds.

Article VIII, Section 4

The County shall not contract indebtedness which including existing indebtedness shall exceed 10% of the five-year average full valuation of taxable real estate therein. The average full valuation of taxable real estate of the County is determined pursuant to Article VIII, Section 10 of the State Constitution by taking the assessed valuations of taxable real estate on the last completed assessment roll and the four preceding rolls and applying to such rolls the ratio as determined by the State Office of Real Property Services or such other State agency or official as the State Legislature shall direct which such assessed valuation bears to the full valuation. The Local Finance Law requires that the face value of the principal amount of the 2004 County Guaranty (as defined herein), as executed and delivered, be deemed indebtedness for the purpose of this constitutional provision. See "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein. Article VIII, Section 5 and Article VIII, Section 2-a of the State Constitution enumerate exclusions and deductions from the Constitutional debt limit. Such deductions include indebtedness incurred for water and certain sewer facilities.

Statutory Provisions

Title 8 of the Local Finance Law contains the statutory limitations on the power to contract indebtedness. Section 104.00 limits, in accordance with Article VIII, Section 4 of the Constitution, the ability of the County to contract indebtedness to 10% of the five-year average full valuation of taxable real estate. The statutory provisions implementing constitutional provisions authorizing deductions and excluding indebtedness from the debt limits are found in Title 9 and Title 10 of the Local Finance Law. In addition to the constitutionally enumerated exclusions and deductions, deductions are allowed for cash or appropriations for debt service pursuant to the authority of a decision of the State Court of Appeals. NIFA is not subject to the provisions of the Local Finance Law; however, obligations issued by NIFA on behalf of the County count toward the County's debt limit.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the power and procedure for the County to borrow and incur indebtedness subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the County Charter and the County Law.

Pursuant to the Local Finance Law, the County Charter and the County Law, the County authorizes the issuance of bonds by the adoption of an ordinance, approved by a super-majority vote of the voting strength of the members of the County Legislature, the finance board of the County. Customarily, the County Legislature has delegated to the County Treasurer, as chief fiscal officer of the County, the power to authorize and sell notes anticipation bonds in anticipation of authorized bonds. The Local Finance Law also provides that where a bond ordinance is published with a statutory form of estoppel notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. such obligations are authorized for a purpose for which the County is not authorized to expend money; or

2. there has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action, suit, or proceeding contesting such validity, is commenced within twenty days after the date of such publication; or

3. such obligations are authorized in violation of the provisions of the State Constitution.

Except on rare occasions the County complies with this estoppel procedure. It is a procedure that is recommended by bond counsel, but it is not an absolute legal requirement.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (State Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. Historically, the County has authorized bonds for a variety of County objects or purposes. From 2000 through 2005, NIFA borrowed for such objects or purposes on the County's behalf after adoption of said bond ordinances.

The Local Finance Law permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not extend five years beyond the original date of borrowing.

In general, the Local Finance Law also contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including budget notes, capital notes, revenue anticipation notes, and tax anticipation notes.

CAPITAL PLANNING AND BUDGETING

The County Charter requires the County to have a four-year capital plan and an annual capital budget. The Charter sets forth deadlines for the County Executive to submit a proposed capital plan and capital budget to the County Legislature, describes the minimum informational requirements to be contained therein, and contains a schedule and structure for the legislative review, modification and approval process.

The current administration has created a Capital Review Committee to establish formal criteria to evaluate capital budget requests, make recommendations to the County Executive on spending priorities and monitor progress of individual projects. Monthly spending and borrowing plans have been developed for each project, which the Capital Review Committee, the Department of Public Works and the relevant County departments review on a regular basis. This review of long-term asset performance enables the County to determine whether capital purchases and projects have produced expected results over time.

Capital Plan(s) and Capital Budget(s)

The County Legislature has adopted the capital budget for fiscal year 2007 (as it may be amended from time to time, the "2007 Capital Budget") and the capital plan for fiscal years 2007-2010 (as it may be amended from time to time, the "2007-2010 Capital Plan"). The 2007 Capital Budget is approximately $206 million, the revenue for which is a combination of long-term debt (or bond anticipation notes) and local, State or federal aid. The amount of such debt projected to be issued by or on behalf of the County for objects or purposes in the 2007 Capital Budget is approximately $171 million. The major components of the 2007 Capital Budget and the 2007-2010 Capital Plan are listed in Figure 23.

FIGURE 23

2007-2010 CAPITAL PLAN

Project Category	2007	2008	2009	2010
Buildings	$ 15,725,000	$ 16,775,000	$ 57,500,000	$ 70,750,000
Equipment	19,300,000	5,400,000	5,225,000	5,650,000
Infrastructure (including Community College)	14,500,000	17,640,780	22,550,000	6,400,000
Open Space Preservation	12,000,000	0	0	0
Parks	15,650,000	13,050,000	14,600,000	13,850,000
Property	1,000,000	2,000,000	3,200,000	3,000,000
Public Safety	24,420,000	30,345,000	21,300,000	27,075,000
Roads	30,965,000	33,865,000	23,400,000	22,750,000
Sewer and Storm Water	27,257,500	29,020,000	29,716,666	20,450,000
Technology	10,230,000	16,730,000	10,060,000	7,335,000
Traffic	11,550,000	3,900,000	3,700,000	3,750,000
Transportation	3,477,500	2,625,500	3,027,500	2,728,500
Judgments and Settlements	20,000,000	15,000,000	10,000,000	5,000,000
Total	$206,075,000	$186,351,280	$204,279,166	$188,738,500

REAL PROPERTY TAX ASSESSMENT AND COLLECTION

Real Property Assessment

The County assesses all real property within the County to support its own property tax levy and the tax levies for the three towns, all but one of the 56 school districts, and 225 county and town special districts. The County also provides assessment review services in support of its assessment roll. The County is one of only two county assessing units in the State.

Pursuant to the County Charter, it is the duty of the Board of Assessors to assess all property situated in the County. The Board of Assessors has four members who are appointed by the County Executive and an elected Chairman who is also the administrator of the County Department of Assessment.

State Real Property Tax Law ("RPTL") Article 18 requires that all County real property be assessed in one of the following four classes:

Class One – one, two and three-family homes, residential condominiums of three stories or less and residential vacant land.

Class Two – apartments, residential cooperatives and residential condominiums of four stories or more.
Class Three – utility equipment and special franchise property (poles, wires and equipment on public property).
Class Four – all other property, principally commercial and industrial buildings and vacant land zoned for nonresidential use.

Assessment Roll

In 2002, the County completed a revaluation of all properties on the assessment roll. This was the County's first mass appraisal of commercial properties since 1986 and the first mass appraisal ever of residential properties. The revaluation assessment roll was promulgated as a tentative roll in January 2003. Revaluation of Class One property on the assessment roll was required by the terms of the consent decree in *Coleman v. County*, Nassau County Supreme Court.

In 2003, the County Executive and the Chairman of the Board of Assessors jointly filed a six-year plan for assessment roll updates with the State Office of Real Property Services. The County also entered into a contract for annual updates to the revalued roll and the annual updates were promulgated as tentative assessment rolls in January 2004 and January 2005. The contract runs through 2008 but permits the County to terminate all or part of the revaluation contractor's services as it develops the internal expertise to carry out assessment roll updates with County personnel. The County took over valuation of commercial parcels in 2005 and plans to take over all aspects of residential valuation before the end of the contract. The County has worked with the revaluation contractor since 2003 to improve the quality of the annual updates to the assessment roll, resulting in substantial improvements to the quality of commercial and residential assessments.

Prior to 2002, there was no effective administrative review of assessment grievances in the County, so virtually all such cases were resolved in court proceedings. See "*Administrative Review of Assessments*" within this section. Because of the delays and inefficiencies inherent in the judicial process, a large backlog of commercial assessment challenges accumulated. The County's commercial refund expense was approximately $110 million annually from 1995 through 2002. See "LITIGATION - Property Tax Litigation - Challenges to Assessed Valuations" herein. The County's residential refund expense was approximately $13 million annually in the same period. By updating its assessment rolls annually, the County reasonably anticipates that it will be able to promulgate more accurate assessments than in the past, and thereby reduce the level of property tax refund liability that each assessment roll generates.

By operation of State law, when commercial assessments are updated annually, only 20% of the assessment increase is deemed taxable in the first year. Transition assessments therefore will have the effect of reducing the refund expense caused by inaccurate commercial assessments. Effective with the tentative roll promulgated in 2006, residential assessments will have similar restriction by operation of law: increases are capped at 6% annually and no more than 20% over five years.

Property Tax Refunds

The RPTL provides for the County to pay refunds of property taxes levied or imposed by the County Legislature, which, in addition to County taxes, includes those of the towns, special districts and all but one of the school districts in the County. Based on a provision of the County Administrative Code, the County does not charge the cost of such refunds to the towns, special districts and school districts, as would otherwise be required by the RPTL. See "LITIGATION - Property Tax Litigation" herein.

Administrative Review of Assessments

Administrative review of assessments is the responsibility of ARC, which is headed by a chairman appointed by the County Executive. Legislation enacted by the State in 2002 provides ARC with sufficient time to correct the tentative assessment roll before the assessments become final. The Department of Assessment promulgates the tentative assessment roll in January of each year. The law moved the date of the promulgation of the tentative assessment roll back one year. The law became fully effective for the first time with the roll promulgated tentatively in January 2004, which became final in April 2005, leaving a 15-month period between the issuance of the tentative and final rolls. During such period, ARC is able to review and correct erroneous assessments without generating any refund liability for the County.

Prior to 2002, the estimated annual tax reduction resulting from ARC prior to the promulgation of the final roll were less than $10 million. From 2002 to 2007, ARC has corrected errors on County assessment rolls valued at approximately $477 million, including $140 million this past year. The County seeks to correct as many assessments as possible prior to the promulgation of the final roll as a means to reduce liability for refunds.

In addition to its ability to correct the current assessment roll, under the 2002 State legislation, ARC had authority to resolve all open assessment challenges for past years with the same effect as a court order. This authority lapsed in 2007. For 2007 ARC will only be authorized to resolve administratively the current tax year's assessments and up to three years of pending litigation. The County believes that ARC's authority to resolve property tax challenges in a faster and more cost-effective manner than through the judicial process has accelerated the rate at which cases are resolved.

The NIFA Act imposes limits on the County's ability to count as operating revenues in its multi-year financial plans, among other things, the proceeds of County or NIFA debt issued to finance the payment of tax certiorari judgments and settlements. See "MONITORING AND OVERSIGHT – External – *NIFA*" herein. Consistent with the NIFA Act, the County accelerated the payment of property tax refund claims in 2004 and 2005. In 2004, payments reached $184 million; in 2005, payments totaled $251 million, including $54 million paid into an escrow account in connection with a refund without settlement program. For 2006, the County paid refunds out of the operating budget on a pay-as-you-go basis totaling $70.6 million. Cash payments for refunds totaled $51 million in 2006 with an additional $19.6 million accrued. At the end of 2006, the County estimated that its liability for pending property tax claims had been reduced to $137 million. See "LITIGATION – Property Tax Litigation" herein.

The number of commercial protests was unchanged after the revaluation because virtually every commercial parcel already protested its assessment for every year. The number of residential grievances (including duplicate proceedings) almost doubled after the revaluation from 61,028 for the 2002/2003 tax year to 122,027 for 2007/2008. For 2008/09 the number of residential grievances declined to 114,808. In the last year before the revaluation, 40,097 residential cases went on to small claims assessment review proceedings in State Supreme Court. Since the revaluation, the number of residential cases has ranged from a low of 31,415 for 2003/2004 to a high of 56,834 for 2006/2007. For 2007/08 the number of residential cases filing a small claims assessment review proceeding dropped to 50,784.

Because of its important role in protecting the County from property tax refund exposure, the County has staffed ARC with qualified property appraisal experts. In 2001, ARC had only part-time commissioners and one full-time staff person. ARC now has a full-time chairman and vice-chairman, and a staff of approximately 43, including 25 professional appraisers and 5 analysts.

Real Property Tax Limit

The amount that may be raised by the County tax levy on real estate in any fiscal year for purposes other than for debt service on County indebtedness is limited to two per centum (2.0%) of the average five-year full valuation of real estate of the County in accordance with the provisions of Article VIII of the State Constitution (1-1/2%) and the County Law (additional 1/2%), less certain deductions as prescribed therein. There is no constitutional limitation on the amount that may be raised by the County by tax upon real estate in any fiscal year to pay principal of and interest on County indebtedness.

Figure 24 sets forth the real property taxing limit of the County.

FIGURE 24
COMPUTATION OF CONSTITUTIONAL TAXING POWER
(IN THOUSANDS)

Year Roll Completed	Full Valuation[d] of Real Estate
2007	$244,238,974
2006	212,313,816
2005	193,592,238
2004	179,807,935
2003	161,160,799
Total	$991,113,755
Five-year average full valuation	$198,222,751
Tax Limit (2.0%)[a]	$3,964,455
Total Exclusions[b]	296,725
Total Taxing Power for 2007 Levy	$4,261,180
Total Levy for 2007[c]	$806,732
Tax Margin	$3,454,448
Percentage of Taxing Power Exhausted	18.93%

(a) The State Constitution limits the tax on real estate to one and one-half per centum of the average five year full valuation, and provides that the State Legislature may prescribe a method to increase this limitation to not to exceed two per centum. The tax limit was raised to two per centum by provisions of the County Law and a resolution adopted by the County Board of Supervisors, predecessor to the County Legislature.

(b) Interest on and principal of all indebtedness for fiscal year 2007 is excluded from the calculation of real estate taxes limited under the provisions of Article VIII, Section 10 of the State Constitution.

(c) Includes the tax levies for the General Fund, the Police District Fund, the Police Headquarters Fund, the Fire Prevention Fund, and the Community College Fund.

(d) Full valuation figures are computed by the State Office of Real Property Services.

Largest Real Property Taxpayers

Figure 25 shows the largest real property taxpayers in the County.

FIGURE 25
LARGEST REAL PROPERTY TAXPAYERS
2007

Taxpayer	Total Assessed Value ($)	Total Assessed Value (%)
LONG ISLAND LIGHTING CO.& LIPA	$ 16,412,945	2.25%
KEYSPAN	6,324,673	0.87
VERIZON NEW YORK INC.	5,762,352	0.79
RETAIL PROPERTY TRUST	2,484,115	0.34
E Q K GREEN ACRES LP	2,315,620	0.32
RECKSON ASSOCIATION	2,040,713	0.28
CLK-HP (INDUSTRIAL RESEARCH)	2,071,657	0.28
BEC EAB LLC & RECKSON (Formerly Galaxy LI Assoc.)	1,593,812	0.22
G G & A BROADWAY PARTNERS LLC	1,540,745	0.21
WE'RE ASSOCIATES (Includes Rechter Family Assoc.)	1,272,301	0.17
JQI ASSOCIATES LLC	1,098,763	0.15
LONG ISLAND WATER CORP.	1,097,531	0.15
SUNRISE MALL LLC	1,086,672	0.15
GREATER NY ASSOC INC (NY RACING)	1,068,280	0.15
FAIRHAVEN APTS	948,149	0.13
CORPORATE PROPERTY INVESTORS	894,230	0.12
Beechwood Benedict, EB Raceway, LNR & LNR Hldgs	818,716	0.11
RP STELLAR STRONG ISLAND LLC(Matterhorn USA)	751,997	0.10
S & E REALTY	725,696	0.10
NEW YORK WATER SERVICE	667,249	0.09
HOME DEPOT	575,558	0.08
P1 WESTBURY LLC	532,882	0.07
FIFTH AVENUE OF LI REALTY ASSOCIATES	531,083	0.07
NORTHROP GRUMMAN CORP	528,306	0.07
FRANLIN AVENUE PLAZA ONE LLC	522,712	0.07
TOTAL (Top 25)	$ 53,666,757	7.37%
TOTAL TAX BASE	$728,595,011	100.00%

Collection

County, Town and Special District Taxes

General taxes are levied on January 1 for the fiscal year January 1 through December 31, with semi-annual payments due by February 10 and August 10. Unpaid general taxes become delinquent on March 1 and September 1, respectively. Tax statements are mailed and County taxes are collected by the receivers of taxes for each of the three towns and the two cities within the County. General taxes include taxes for the County, towns, special districts, and any other special assessments. The exceptions are the cities of Glen Cove and Long Beach, which assess and collect their own city taxes separately from the bills they render for County general taxes.

The receivers of taxes take the total tax proceeds they collect, deduct the amount of the levies for town and special districts and any other special assessments and then pay the difference to the County. Thus any shortfall in the collection of general taxes is borne by the County. Since the cities of Glen Cove and Long Beach render their own tax bills, any shortfalls in those local taxes are borne by the cities themselves.

The receivers of taxes are required to pay to the County Treasurer on the fifteenth day of each month all County taxes they have collected prior to the first day of such month.

School District Taxes

School taxes for the school fiscal year of July 1 through June 30 are levied on October 1, with semi-annual payments due by November 10 and May 10. Unpaid school taxes become delinquent on December 1 and June 1, respectively.

Uncollected taxes are returned by the town receivers to the County after December 1 and June 1. The County pays the school districts the amounts billed and uncollected by the towns and cities. This procedure covers the entire County except the City of Glen Cove, which has a coterminous school district; the City of Glen Cove, and not the County, guarantees that the Glen Cove School District receives the total tax amounts billed.

The County is authorized to pay monies due to the school districts from funds on hand or may borrow monies for such purpose pursuant to the provisions of the Local Finance Law.

Delinquency Procedure

In the event taxes are not paid when due, the following occurs:

(a) General taxes due on January 1 and not paid by February 10 or August 10 are charged a 2% penalty. During the "late periods" of February 11 through February 28 and August 11 through August 31, principal and the 2% penalty may be paid at the town or city. If payment is made during this "late period," the town or city keeps the 2% penalty. After the late period, commencing September 1, payments may be made only to the County and the County pays the town or city the unpaid principal amount of taxes collectible by each respective receiver for towns, special districts and any other special assessments.

On September 1, the County imposes a 5% penalty on the total amount then due (the original principal plus the 2% penalty), and an $90 listing fee. Thereafter, a 1% compounded penalty is imposed on the first day of each subsequent month on the total amount then owing. For example, between after August 31, if unpaid, the amount owed is principal plus the 2% penalty plus 5% of that total, plus 1% interest compounded per month, plus $90. On April 1 another 1% of all those amounts is added to the balance owed.

After the third Monday in December, an advertising fee of $90 is imposed in addition to all other fees; this compensates the County for advertising the uncollected tax receivable which will be offered for sale at a tax lien auction in the subsequent February.

(b) School taxes due on October 1 and not paid by November 10 or May 10 are charged a 2% penalty. During the "late periods" of November 11 through November 30 and May 11 through May 31, principal and the 2% penalty may be paid at the town or city. If payment is made during this "late period," the town or city keeps the 2% penalty. After the late period, commencing June 1, payments may be made only to the County and the County pays the school districts the unpaid principal amount of their taxes.

On June 1, the County imposes a 5% penalty on the total amount then due (the original principal plus the 2% penalty) and an $90 listing fee. Thereafter, a 1% compounded penalty is imposed on the first day of each subsequent month on the total amount then owing. For example, after May 31, if unpaid, the amount owed is principal plus the 2% penalty plus 5% of that total, plus 1% interest compounded per month, plus $90.

After the third Monday in December, an advertising fee of $90 is imposed in addition to all other fees; this compensates the County for advertising the uncollected tax receivable which will be offered for sale at a tax lien auction in the subsequent February.

(c) The County annually holds a tax lien sale. This sale commences on the third Tuesday of each February. The taxpayer is charged an additional 10% penalty if he pays his taxes after the tax lien sale. The liens are sold at public auction to a bidder offering to accept the lowest rate of interest; bidding begins at 10% and moves downward in ¼ point increments. The most desirable properties have their liens purchased for less than 10% interest because the property owners will probably pay off their taxes quickly to avoid losing their property to foreclosure. The successful bidder only receives the amount bid, for example 4%. The differential, in this case 6%, accrues to the County. Uncollected tax receivables which are not sold at auction become tax liens owned by the County at the highest rate (10%).

Successful bidders at the time of sale are required to deposit with the County Treasurer 10% of the amount of the tax lien (the total amount owed to the County the day of the lien sale) and the remaining 90% within thirty days of the sale. The holder of a tax lien for a property other than those classified as Class One or as a Class Two condominium pursuant to section 1802 of the RPTL, if it has not been satisfied within 24 months of the sale date, may obtain a deed of conveyance from the County Treasurer or foreclose his tax lien. The holder of a tax lien for a property classified as Class One or as a Class Two condominium pursuant to section 1802 of the RPTL, if it has not been satisfied within 24 months of the sale date, may commence a foreclosure action provided the property owner has not been granted a one-year extension through hardship designation, or provided that the property owner has not been granted a 24-month extension through an alternate designation on all said liens sold on or before June 30, 1994.

The County Treasurer has at times sold groups of County owned tax liens in bulk. The County has in the past contracted with one or more collection firms to collect the balances owed on its tax liens. These firms are paid a contingent commission after the County has been paid the total amount owed.

NASSAU HEALTH CARE CORPORATION

Nassau Health Care Corporation ("NHCC") is a public benefit corporation that provides health care primarily to the County's uninsured and underinsured population. NHCC operates the Nassau University Medical Center (the "hospital" or "NUMC"), the A. Holly Patterson Nursing Home (the "nursing home" or "AHP"), six health centers and one school health clinic (the "clinics"). NHCC also provides health services to inmates of the Nassau County Correctional Center. Pursuant to State authorizing legislation codified at Public Authorities Law §3400 *et seq.* (hereinafter referred to as the "NHCC Act"), the County transferred the hospital, nursing home and clinics to NHCC effective September 29, 1999.

Under the NHCC Act, NHCC is governed by a board of fifteen directors, of whom eight are appointed by the Governor (two on recommendation of the County Executive, three on recommendation of the majority leader of the County Legislature, one on recommendation of the minority leader of the County Legislature, one on recommendation of the Speaker of the State Assembly and one on recommendation of the Temporary President of the State Senate), four by the County Legislature and three by the County Executive. The NHCC Act also provides for three additional non-voting members, one of whom is the Chief Executive Officer. NHCC has the power to acquire, operate and manage health care facilities, to issue notes and bonds to finance the capital costs thereof, including the costs of acquiring such facilities from the County and to enter into interest rate exchange agreements to hedge its variable rate debt exposure. The NHCC Act also permits the County (i) to enter into contracts with NHCC for services; (ii) to appropriate sums of money to defray NHCC's project costs or other expenses; (iii) to lend its money or credit to NHCC; and (iv) to issue County notes and bonds for NHCC objects or purposes.

The 1999 Financing and Agreements with the County

On September 29, 1999, NHCC issued its $259,734,845.44 aggregate principal amount Health System Revenue Bonds, Series 1999 (Nassau County (NY) Guaranteed) (the "Series 1999 Bonds") to, among other things, (i) provide funds to finance the purchase by NHCC from the County of the hospital, nursing home, clinics and certain other health care programs of the County (collectively, the "Health Facilities") pursuant to an Acquisition Agreement (the "Acquisition Agreement") between NHCC and the County and (ii) fund initial working capital for NHCC. Pursuant to the Acquisition Agreement and in accordance with the NHCC Act and Article 17, Section 7 of the State Constitution, the County agreed pursuant to a Guaranty (the "1999 County Guaranty") to guarantee the scheduled payment of principal of, sinking fund installments and interest on the Series 1999 Bonds. Pursuant to the 1999 County Guaranty the County pledged its faith and credit to payments made under such guaranty in the same manner as it does with general obligation debt of the County. Additionally, the County agreed pursuant to the Acquisition Agreement to make certain payments to NHCC ("Historical Mission Payments" and "Article 6 Payments"), not subject to annual appropriation, for certain services provided by NHCC under the Acquisition Agreement. In 2004, NHCC issued bonds and used a portion of the proceeds of such bonds, together with other available funds (including the release of reserve funds), to refund the outstanding Series 1999 Bonds. At that time the County ceased to be obligated under the 1999 County Guaranty. See "2004 Refunding" in this section.

Despite the initial cash furnished by the Series 1999 Bonds, NHCC did not make all of the changes in its operations necessary to stabilize its finances. From September of 1999 through June of 2004, NHCC's net assets fell $105.2 million from a positive balance of $52.6 million to a negative balance of approximately the same amount. At the same time, NHCC's cash and cash equivalents dropped from $139.2 million as of December 31, 1999 to $16.6 million as of June 30, 2004.

In September of 2003, the Office of the State Comptroller ("OSC") released a Report of Examination on the Nassau Health Care Corporation Multi-Year Financial Plan, Period Covered: January 1, 2003 – December 31, 2006. In its report, OSC stated that NHCC's May 1, 2003 multi-year financial plan did not include detailed explanations for certain assumptions used to compute the projected net income or loss for the four years covered by the plan and there was no explanation of the gap-closing initiatives, which total $70.5 million over three years. Further, OSC concluded that many of these initiatives were still in the planning stages and had not been implemented and that other initiatives needed approvals from various outside parties and may also have been dependent on factors beyond NHCC's control. OSC therefore questioned whether all of these initiatives could be achieved and whether they would be sufficient to eliminate NHCC's projected deficits. OSC estimated, after revising NHCC's projections for various questionable initiatives, that NHCC could have operating deficits as high as $12.5 million in 2004, $19.4 million in 2005 and $27.5 million in 2006. If NHCC accumulated losses at this rate, OSC projected that NHCC would run out of cash in late 2004 or early 2005 and the County could be required to take over payment of NHCC's Series 1999 Bonds.

In recognition of the need for change at NHCC, in 2003, the County engaged Manatt, Phelps & Phillips LLP ("Manatt") to perform a comprehensive analysis of NHCC and its three operating enterprises: the hospital, the nursing home, and the clinics. The resulting report, entitled "A Study of the Role of Nassau Health Care Corporation in the Delivery of Health Care to Residents of Nassau County" dated January 27, 2004 (the "Manatt Report" or "Report"), contains a number of findings regarding the deteriorating financial position of NHCC and recommendations to address such findings. The Report focused on: (i) the actual health needs of the residents of the County who use the NHCC facilities; (ii) the appropriate health care model to serve these needs; and (iii) how to create such a health care delivery model within the County's fiscal constraints.

The County summarized the Manatt Report's recommendations for the reform of NHCC in the following five-point plan:

1. Operational improvements designed to reduce costs, right-size staffing consistent with industry standards, introduce affiliation agreements with neighboring hospitals and improve the NHCC's revenue collection;

2. Program initiatives and rate appeals submitted to the State Department of Health as part of a comprehensive relief package;

3. Relocating the nursing home to the NUMC campus; disposition of the Uniondale Property (as defined below), the sale of the licenses for 300 excess beds at the nursing home and the use of sale proceeds from the disposition of the Uniondale Property to reduce outstanding NHCC debt;

4. Refunding the Series 1999 Bonds; and

5. A stabilization agreement between the County and NHCC intended to provide NHCC with cash flow relief through the end of 2005, resolve disputed charges, override certain unworkable language in existing agreements between the County and NHCC and establish the principles to govern more comprehensive successor agreements.

A copy of the Manatt Report is available from the County at the Office of the Deputy County Executive for Management, Budget and Finance, 1 West Street, Mineola, NY 11501 during normal business hours.

As recommended by the Manatt Report, the County and NHCC executed in September 2004 an amendment to the Acquisition Agreement (the "Stabilization Agreement") that resolves certain of the historical disputes between the parties, provides a period of stability while NHCC implements the Report's recommendations and places the relationship between the parties on a more reasonable and workable basis.

In the Stabilization Agreement, the County and NHCC agreed that the Acquisition Agreement requires extensive clarification and revision in order to more clearly define a workable, fair and reasonable relationship between the County and NHCC, and that the balance of the terms and conditions of the Acquisition Agreement, to the extent not specifically modified or superseded by the Stabilization Agreement, shall be the subject of good faith negotiations between the parties to develop new agreements governing services provided by NHCC and payments and subsidies provided by the County. As amended, the key terms of the Stabilization Agreement include:

• Substituting appropriate terms for services and subsidies paid for by the County and establishing reasonable cost as the basis for County subsidies and payments for services provided by NHCC.

• Eliminating historical disputes between NHCC and the County concerning each party's obligation with respect to the cost of NHCC employee longevity pay and early retirement programs. The County accepted responsibility for pre-2004 obligations and NHCC accepted full responsibility for these items as of January 1, 2004. Other disputes were also resolved, including those relating to collection fees, checks in transit, indirect utilities and rent at the County's correctional center.

• Resolving disputes concerning NHCC's bills for services provided to inmates at the County's correctional facility, subject to reconciliation of a few remaining items, both retrospectively and prospectively. The County is permitted to end the use of NHCC for all or a portion of inmate health care services, but agreed to continue to pay that portion of the inmate care charge that amounts to a subsidy of NHCC operations through December 31, 2005.

• Providing NHCC with stable cash flow through 2005. As such, the County agreed to make Historical Mission Payments and Article 6 Payments monthly in advance. In addition the County agreed to pay quarterly in advance for services provided by NHCC to the County, subject to reconciliation. Under the Stabilization Agreement, the County continues to provide annual Historical Mission Payments of $13 million and annual Article 6 Payments of $5 million. Beginning with 2006, the amount of both Historical Mission Payments and Article 6 Payments became subject to re-negotiation, based on the principles adopted in the Stabilization Agreement that subsidies shall be targeted to specific programs and computed based on the reasonable cost of providing each program, net of receipts from other sources, including without limitation, patients, third party payors, programs that provide reimbursement for bad debt and charity care, inter-governmental transfers, grants and other funding designated for specific programs.

• Refunding the Series 1999 Bonds and having the County provide a guaranty on any bonds issued to refund the Series 1999 Bonds. NHCC may only spend the proceeds of such refunding bonds with the written consent of the County Executive. County payments to NHCC required under the Stabilization Agreement are to be made directly to the trustee for the Series 1999 Bonds or the trustee for any said refunding bonds (including the Series 2004 Bonds, as defined herein) up to the amount required for debt service and other related payments. See "2004 Refunding" in this section. The County agreed to provide NHCC up to $500,000 in 2005 toward the cost of implementing the Manatt Report's recommendations, and agreed to include in its 2005 capital budget approximately $5 million to address NHCC life safety and capital items, subject to County approval. Furthermore, the parties agreed to work together to include an additional $15 million for NHCC capital projects (at the time of any refunding of the Series 1999 Bonds) to be identified, subject to County approval, and, to the extent required, State Department of Health ("NYSDOH") approval.

• Deleting all provisions in the Acquisition Agreement purporting to vest in an arbitrator the power to determine any issue or dispute between the parties.

• Agreeing that, in conjunction with the replacement of AHP on the East Meadow (NUMC) Campus, NHCC will sell the real estate in Uniondale, New York (the "Uniondale Property") on which AHP is currently located, and that it will sell its excess nursing home bed capacity (subject to regulatory approval). NHCC agreed that proceeds from the sale of the Uniondale Property will be used to retire the Series 1999 Bonds or the Series 2004 Bonds.

• NHCC will use the County's real estate broker in a sale of the Uniondale Property to take advantage of the favorable terms of the County's contract with such broker, and will use Manatt in seeking regulatory approval for disposition of its nursing home bed capacity.

The Acquisition Agreement remains in effect to the extent that it is not modified by the Stabilization Agreement. Under the Acquisition Agreement the County is responsible for claims relating to the Health Facilities incurred prior to September 29, 1999. See "LITIGATION" herein. In addition, the County and NHCC have entered into certain leases for space at the Health Facilities. The Stabilization Agreement contemplates that beginning on January 1, 2006, rent payable by the County to NHCC was to be computed pursuant to successor agreements between the parties.

The Stabilization Agreement has been subsequently amended from time to time to enable the continuation of advances.

The County and NHCC are negotiating a successor agreement or successor agreements to supplement or replace existing agreements between the parties. The Stabilization Agreement establishes the principle of reasonable cost as the basis for County subsidies and payments for services provided by NHCC for all future agreements between the County and NHCC.

A copy of the Stabilization Agreement, as amended, is available from the County at the Office of the Deputy County Executive for Management, Budget and Finance, One West Street, Mineola, NY 11501 during normal business hours.

The County and NHCC have also executed a regulatory agreement (the "Regulatory Agreement") in connection with the issuance of the Series 2004 Bonds, concerning the operation of the Health Facilities, as required by the NHCC Act.

The Regulatory Agreement includes pledges by NHCC to grant the County liens on its real and personal property to secure NHCC's obligation to repay to the County funds the County pays directly to the bond trustee under the guaranty of the Series 2004 Bonds. See "2004 Refunding" in this section. The Regulatory Agreement includes NHCC's pledge to implement operational improvements as recommended by the Manatt Report to achieve financial stability by January 1, 2006 and provides that NHCC will report to the County and NIFA in the event of a loss from operations greater than 1% of total operating revenues or an adverse variance exceeding 3% of NHCC's budget for total operating revenues or total operating expenses ("financial contingencies"). In the event of financial contingencies, the County may require that NHCC provide a detailed business plan, updated yearly, to achieve fiscal balance and the County may require that NHCC engage a consultant to develop a business plan which would be provided to and monitored by the County and NIFA.

The Regulatory Agreement also provides that the NHCC board of directors will establish by-laws and policies concerning attendance at meetings, disclosure and avoidance of conflicts of interest, and which conform to the Joint Commission on Accreditation of Healthcare Organizations standards and requirements of the State Public Authorities Law and Public Health Law.

2004 Refunding

On October 14, 2004, NHCC issued $303,355,000 of its Nassau Health Care Corporation Bonds, Series 2004 (Nassau County Guaranteed) (the "Series 2004 Bonds") and used a portion of the proceeds of such bonds, together with other available funds (including the release of reserve funds), to refund the Series 1999 Bonds. At that time, the County ceased to be obligated under the 1999 County Guaranty. See "The 1999 Financing and Agreements with the County" in this section.

There were three components to the Series 2004 Bonds: approximately $18.3 million in tax-exempt fixed-rate bonds; approximately $65.5 million in taxable auction rate bonds; and approximately $219.6 million in synthetic fixed-rate debt, in which tax-exempt variable-rate bonds were hedged with a percentage of LIBOR swap. It is expected that NHCC will use $15 million of the fixed-rate component of the Series 2004 Bonds to finance new capital projects. Pursuant to the Stabilization Agreement and in accordance with the NHCC Act and Article 17, Section 7 of the State Constitution, the County agreed pursuant to a Guaranty (the "2004 County Guaranty") to guarantee the scheduled payment of principal and interest on the Series 2004 Bonds. Pursuant to the 2004 County Guaranty, the County pledged its faith and credit to payments made under such guaranty in the same manner as it does with general obligation debt of the County. Pursuant to the 2004 County Guaranty, the County is required to make payments directly to the trustee for the Series 2004 Bonds up to the amount required for debt service and other related payments. In accordance with the Stabilization Agreement, in effect the County receives a credit for such debt service and related payments against amounts that it would otherwise be obligated to make to NHCC under the Acquisition Agreement or Stabilization Agreement.

The 2004 County Guaranty eliminated the need for a debt service reserve fund, an operating reserve fund, and the County's replenishment requirement. The funds released from the debt service reserve fund and the operating reserve fund were used in the refunding escrow, lowering the refunding par needed to legally defease the Series 1999 Bonds by approximately $26 million. This, in turn, allowed NHCC to issue taxable auction rate debt in roughly the same amount in order to make its 2005 pension payment. The additional taxable auction rate debt was issued in anticipation of a possible sale to a private developer of the Uniondale Property

The approximately $219.6 million of synthetic fixed rate bonds took advantage of NHCC's ability to enter into three separate interest rate exchange agreements to hedge its floating rate debt exposure. Subsequent to the issuance of the Series 2004 Bonds, NHCC executed a callable floating-to-fixed interest rate swap on the $65.5 million of taxable auction rate debt, creating a low-cost synthetic fixed-rate structure to hedge against the possibility of rising interest rates in the period before the potential sale of the Uniondale Property. On November 28, 2005, S&P assigned these NHCC swaps a Debt Derivative Profile (DDP) score of "2" on a scale of "1" to "5", with "1" representing the lowest risk and "5" being the highest.

LIBOR-based interest rate swaps carry certain risks. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS – Debt Service Requirements" and "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management - *Swap Policy*" herein. The Stabilization Agreement permits the County to offset any net increases in payments to swap counterparties against any payments it makes to NHCC. Accordingly, NHCC bears the exposure for swaps that under-perform expectations and benefits in the event the swaps out-perform expectations. The County and NHCC took steps in the Series 2004 Bonds to mitigate these risks, which the County and NHCC monitor regularly.

NHCC's Financial Condition

NHCC reported a deficit balance of net assets of $7.9 million for its activities during the 2006 fiscal year. In total, NHCC reported a deficit balance of net assets of $77.2 million as of December 31, 2005 and a deficit balance of $85.1 million as of December 31, 2006. The $7.9 million 2006 reduction in net assets represents $9 million in net operating losses offset by $1.1 million in non-cash accounting gains generated by marked-to-market valuation of its interest rate swaps and the amortization of refunding loss associated with the Series 2004 Bonds. NHCC's unrestricted cash and cash equivalents increased from $13 million as of December 31, 2005 to $21.7 million as of December 31, 2006 due to an increase in net patient service revenue. Specifically, there was a change in the intergovernmental transfer (IGT) program payment methodology. In prior years, NHCC was entitled to retain, on net basis, 10% of the IGT amount. In 2006, NHCC retained the full IGT amount based on a government mandate.

NHCC's board of directors adopted a 2007 budget that anticipates a consolidated baseline net loss of \$6.5 million before revenue and expense initiatives and an \$185,000 surplus after the successful implementation of such gap closing initiatives. The projected baseline net loss of \$6.5 million would be the lowest in NHCC history, following a projected \$32 million baseline net loss for 2006 before revenue and expense gap closing initiatives.

NHCC's unaudited monthly financial statements for April 2007 indicate that NHCC had a net operating loss (year-to-date) of \$1.4 million before non-cash accounting losses generated by an unfavorable marked-to-market valuation of its interest rate swaps and the amortized loss associated with the Series 2004 Bonds. This loss, which is \$1.8 million greater than was budgeted, is due to lower than expected patient discharge volume. The majority of NHCC's revenue generating and cost reduction programs remain on target with an outcome of a \$185,000 budgeted surplus net assets for 2007.

On July 24, 2006, NHCC management presented to the NHCC board of directors a Preliminary Updated Strategic Plan which outlines initiatives to improve NHCC's long-term fiscal viability. Also during 2006, NHCC received:

- nearly full restoration of State budget cuts, plus addition of enhanced Emergency Department reimbursement and an above-Upper Payment Limit grant for public nursing homes;
- supplemental Medicaid IGT payments; and
- NYSDOH approval of NHCC's appeal for hospital-based status for AHP.

In October 2006, NHCC's board of directors approved a \$240 million modernization program to improve NHCC's physical plant, consolidate its real estate, enhance its clinical equipment, make improvements to its information technology and efficiently reconfigure operations. The program is expected to be funded as follows: (1) \$15 million annually from its capital budget for a total of \$60 million over four years; (2) \$15 million from the Series 2004 Bonds; (3) \$85 million in new financing for the replacement of AHP, which will be mostly reimbursed by the State Medicaid program; and (4) \$80 million from the 2006 Tobacco Bonds (as defined in "TOBACCO LITIGATION SETTLEMENT PAYMENTS SECURITIZATION" herein), subject to requisite County approvals. In November 2006, NHCC was awarded approximately \$24 million under the State's Health Care Efficiency and Affordability Law for New Yorkers Grant Program, Phase II: Capital Restructuring Initiatives (HEAL NY Phase II), subject to a local match of approximately \$10.2 million. The County has provided the local match from the proceeds of the 2006 Tobacco Bonds, as described above in this paragraph. The combined grant of approximately \$34.2 million will support NHCC's capital program.

The County believes that NHCC's management is committed to a balanced budget for the 2007 fiscal year. The County will continue its monitoring of NHCC's expenditures, revenues and the implementation of its strategic plan initiatives and modernization program.

SEWER AND STORM WATER RESOURCES SERVICES

Nassau County Sewer and Storm Water Finance Authority

The Nassau County Sewer and Storm Water Finance Authority (the "SSWFA") exercises its powers through a seven-member governing board appointed by the County Executive. No more than four SSWFA board members may be members of the same political party. The presiding officer and the minority leader of the County Legislature each nominate two of the appointees, and the County Comptroller nominates one of the appointees. Vote by a supermajority of the SSWFA board is required to approve all borrowing and to approve contracts for more than \$50,000.

The SSWFA is not authorized to hire employees. Also, by its terms, the SSWFA enabling legislation is not intended to alter or modify the County's responsibility to provide sewerage services and storm water services. As a result, County employees continue to operate and maintain all County sewer and storm water resources facilities. In addition, the legislation prohibits the County from transferring to the SSWFA any real property upon which County sewer or storm water resources facilities are located. Further, the SSWFA is a Covered Organization under the NIFA Act. See "MONITORING AND OVERSIGHT – External – *NIFA*" herein.

The SSWFA became operational in 2004 and entered into a financing and acquisition agreement with the County establishing the respective rights and obligations of the parties with respect to the terms of SSWFA financing, including the transfer of County sewer and storm water resources assets to the SSWFA as part of such financing. Pursuant to the County Charter, the County Legislature approved the financing and acquisition agreement in March 2004. The SSWFA began issuing debt in June 2004.

Nassau County Sewer and Storm Water Resources District

Upon the affirmative vote of the County Legislature in December 2003, the County's prior 27 sewage collection and three sewage disposal districts (the "Prior Districts") were abolished, dissolved and merged into the Nassau County Sewer and Storm Water Resources District (the "District"). At such time, all of the rights, privileges, duties, responsibilities and obligations of the Prior Districts became the rights, privileges, duties, responsibilities and obligations of the District. The County budget adopted for each fiscal year contains a separate section for the District and is thus subject to the approval of the County Legislature.

Upon dissolution of the Prior Districts, such districts' fund balance was transferred to the SSWFA for the limited purposes of supporting necessary capital investments, debt service, debt service-related expenses and reserve requirements in a manner consistent with the rate stabilization program contained in the legislation creating the District.

The County annually assesses, levies and collects from the several lots and parcels of land within the District, the expenses of the District, including the annual amount needed to pay the remaining principal of and interest on debt issued by the County, or by NIFA on the County's behalf, or both, that were charged to the Prior Districts, and any amounts needed to pay to the SSWFA the cost of any services, including but not limited to financing and refinancing, provided by the SSWFA to the District by agreement between the SSWFA and the County. Assessments levied pursuant to the provisions of the legislation are collected by each city and town receiver of taxes in the County, and maintained in a segregated account until distributed to the County or its designee as directed by the County. The County has directed each receiver of taxes to distribute such assessments to the SSWFA or its designee. The enabling legislation also establishes a framework for the transition to uniform assessments for recipients of sewer and storm water resources services in the County. Previously, the County had maintained separate budgets on behalf of each of the Prior Districts and levied separate assessments on behalf of each. Pursuant to the legislation the District is divided into zones of assessment that mirror the boundaries of the Prior Districts, except for certain areas that were not receiving sewerage services, which are now excluded. Through 2007, assessments for sewerage services may not exceed the 2003 level for their respective Prior Districts, and no separate assessment for storm water resources services will be assessed until after 2007. Between 2007 and the end of 2013, the legislation requires that the County transition to three zones of assessment: one zone of assessment for areas of the District receiving storm water resources services, one zone of assessment for areas of the District receiving sewage collection and disposal services, and one zone of assessment for areas of the District receiving sewage disposal, but not sewage collection, services.

LITIGATION

The County, its officers and employees are defendants in a number of lawsuits. Such litigation includes, but is not limited to, actions commenced and claims asserted against the County arising out of alleged torts, civil rights violations, breaches of contracts including union and employee disputes, condemnation proceedings, medical malpractice actions and other alleged violations of law. The County intends to defend itself vigorously against all claims and actions.

The County self-insures for all significant risks (everything except helicopter accidents and employee bonding). See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management – *Risk Management*" herein. The County annually appropriates sums for the payment of judgments and settlements relating to such actions, which appropriations may be financed, in whole or in part, (i) pursuant to the Local Finance Law by the issuance of County bonds or bond anticipation notes or (ii) by the issuance by NIFA of its bond anticipation notes or bonds, in its discretion at the request of the County within the limits of NIFA's governing legislation. Estimated liabilities of approximately $225 million for settlement of litigation and malpractice claims (excluding tax certiorari claims) have been recorded as a long-term liability in the County's government-wide financial statement of net assets at December 31, 2006 and 2005. Approximately $132.6 and $88.9 million has been accrued as a liability at December 31, 2006 and 2005, respectively, related to workers' compensation claims where the County Attorney can reasonably estimate the ultimate outcome. The liability for certain other asserted and unasserted malpractice claims cannot be estimated as of December 31, 2006. All malpractice occurrences prior to September 29, 1999 are the responsibility of the County; subsequent malpractice occurrences in connection with the Health Facilities are the responsibility of NHCC. Such amounts are only estimates, and no assurance can be given that additional claims will not be made or that the ultimate liability on existing and future claims will not be greater.

The County is a party to numerous claims and legal actions for refunds of real property taxes asserted by taxpayers seeking redetermination of their assessed valuations. See "Property Tax Litigation – Challenges to Assessed Valuations" within this section.

Property Tax Litigation

Challenges to Assessed Valuations

The County is a party to numerous claims and legal actions for refunds of real property taxes asserted by taxpayers seeking redetermination of assessed valuations. Challenges to commercial property assessments generally account for approximately one-half of the County's property tax refund expenses. The County intends to defend itself vigorously against all such claims and actions.

The amount expended for all property tax reduction claims in each of the fiscal years 2002 to 2006, inclusive, is shown below:

2006	$ 50,998,203
2006	250,733,855
2006	183,959,751
2006	112,491,138
2006	97,028,440

Until 2006, all of such amounts were financed through the County's issuance of bond anticipation notes and bonds under the provisions of the Local Finance Law or through NIFA's issuance of its bonds and notes on behalf of the County. In 2006, the County began paying substantially all property tax refunds from operating funds, and not through the issuance of debt.

The County Comptroller recorded $137.2 million as a long-term liability in the government-wide financial statement of net assets at December 31, 2006 for estimated future property tax settlements and judgments. In 2004 and 2005 the County accelerated its payments of tax refunds and cancellations to resolve or reduce liability in pending cases. In 2005, it paid $250.7 million, which was 50% greater than the 1995-2002 average. Substantially all refunds and cancellations paid in 2006 came from funds other than bond proceeds. The County's 2007 budget includes $50,000,000 in non-borrowed funds for tax refunds and cancellations. The County expects that cash payments for refunds and cancellations will be approximately $50,000,000 for 2007 with an additional accrual of approximately $40,000,000. The County projects that the reduction of liability for past assessment errors and improved assessment accuracy on current rolls will reduce annual requirements for refunds and cancellations.

Such amounts are only estimates, and no assurance can be given that additional claims will not be made or that the ultimate liability on existing and future claims will not be greater. Furthermore, these estimates do not include litigation relating to real estate taxation other than challenges to assessed property valuations. For a discussion of such other litigation, see "Other Pending Property Tax Litigation" within this section.

Other Pending Property Tax Litigation

New York Telephone Company, New York Water Service Corporation, Long Island Water Corporation and Keyspan (the "Utilities") have each filed actions and proceedings in the State Supreme Court, Nassau County, challenging the determination of their taxes in 1997, 1998, 1999, and 2000 in the non-County-wide special districts such as police, fire, water and library districts. The Utilities allege that the County erroneously placed all parcels in classes pursuant to the RPTL in calculating their assessed values for payment of special district taxes. The Supreme Court, Nassau County declared that the assessments violated the RPTL and constitutional requirements of equal protection. The court directed that discovery be conducted and a trial held to determine the amount of tax refunds, if any, to be awarded the Utilities. The Appellate Division, Second Department, in 2002 determined that the County had violated the RPTL but granted the County summary judgment dismissing the complaints on the grounds that no refunds should be awarded because of the fiscal impact on the special districts. In 2004 the Court of Appeals remitted the case to the Supreme Court for a trial on both the amount of refunds due and on whether those damages would have such an adverse impact on the County that no refunds should be ordered. The County moved for partial summary judgment on the methodology for calculating the refunds and the trial Court decided the motion against the County. The County is preparing for the trial, which may occur in late 2007 or early 2008. The Supreme Court has also ruled that any refunds due would be the responsibility of the County, rather than the special districts. The County intends to continue to defend itself vigorously in these actions and proceedings. It is not possible to predict the outcome of these actions and proceedings or their ultimate impact on the County's financial condition. The County cannot state with certainty the amount of a refund if the court were to order one, but has estimated, depending on the methodology of calculation, that such refund could range as high as $200 million.

If a refund should be ordered and if the County borrows to pay the refund, and if NIFA determines that the refund is a "tax certiorari judgment or settlement" within the meaning of the NIFA Act, the refund could trigger those provisions of the NIFA Act that provide that borrowing for "tax certiorari judgments or settlements" may not be considered County operating revenues after 2005, other than for certain limited amounts in 2006 and 2007 (section 3667). In that case, if the borrowing caused a deficit of one percent or more in the aggregate results of the County's major operating funds, NIFA could impose a control period pursuant to section 3669 of the NIFA Act.

Other Litigation

With the exception of the litigation discussed above, based on historical precedent, no litigation is pending by or against the County which will be finally determined so as to result individually or in the aggregate in final judgments against the County which would materially adversely affect the financial condition of the County.

TOBACCO LITIGATION SETTLEMENT PAYMENTS SECURITIZATION

On November 23, 1999, the Nassau County Tobacco Settlement Corporation ("Nassau CTSC"), a local development corporation organized under the Not-For-Profit Corporation Law of the State, issued its $294,500,000 of Tobacco Settlement Asset-Backed Bonds, Series A (the "1999 Tobacco Bonds") to finance its purchase pursuant to a Purchase and Sale Agreement (the "Sale Agreement") of all of the County's future right, title and interest under the master settlement agreement (the "MSA") entered into by participating cigarette manufacturers (the "PMs"), the State, forty-five other states, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa and the Northern Marianas Islands (the "Settling States") in November 1998 in settlement of certain smoking-related litigation, and the Consent Decree and Final Judgment entered in State Supreme Court for New York County (the "Consent Decree"), including the right to receive certain initial and annual payments (the "TSRs") to be made by the PMs under the MSA. The 1999 Tobacco Bonds were not a debt or liability of the County and were secured primarily by the TSRs to be received by Nassau CTSC by virtue of the Sale Agreement.

Pursuant to the Sale Agreement, the County received $247,500,000 from Nassau CTSC on November 23, 1999 (the "1999 Sale Proceeds"), as partial consideration of the sale of its interests under the MSA and the Consent Decree, the balance of such consideration being received in the form of a 100% beneficial interest in a residual trust (the "Residual Trust") in the TSRs that are not required to pay various expenses, debt service or required reserves for the 1999 Tobacco Bonds or subsequent Nassau CTSC bonds. Of the $247,500,000 of 1999 Sale Proceeds received by the County for the 1999 Tobacco Bonds, $77,500,000 was deposited by Nassau CTSC in an escrow account (the "1999 Escrow Account") held by Deutsche Bank Trust Company Americas, formerly Bankers Trust Company, as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement between Nassau CTSC and the Escrow Agent, to be used to fund the County's obligation to make Historical Mission Payments and Article 6 Payments to NHCC pursuant to the Acquisition Agreement and to fund, in the amount of up to $250,000 per year, a program of education to discourage smoking and to pay such other expenses, capital expenditures or other County purposes as shall be approved by transaction counsel to the Nassau CTSC and Board of Nassau CTSC. Nassau CTSC subsequently transferred the balance (approximately $60,000,000) of the 1999 Escrow Account to the County as approved by transaction counsel, whereupon the County placed such balance in its tobacco settlement fund.

On April 5, 2006, Nassau CTSC issued $431,034,245.85 of its Tobacco Settlement Asset-Backed Bonds, Series 2006 (the "2006 Tobacco Bonds") a portion of the proceeds of which were used to defease the 1999 Tobacco Bonds and to generate approximately $119.9 million in proceeds for the County from its beneficial interest in the Residual Trust. TSR's received by the County from April 5, 2006 through March 31, 2008 are not pledged to the holders of the 2006 Tobacco Bonds. The County is expected to appropriate such 2006 Tobacco Bond proceeds and unpledged TSRs to finance various capital projects or designated operating expenses of the County or NHCC. The 2006 Tobacco Bonds are not a debt or liability of the County and are secured primarily by the TSRs pledged to and to be received by Nassau CTSC.

TAX RATES

Figures 26 and 27 show County tax rates. The tables do not include local, town, city, school, village or special district tax rates for the respective political subdivisions in the County.

FIGURE 26
GENERAL COUNTY TAX RATES
COUNTY-WIDE PURPOSES BY FUND AND CLASS (I-IV)
PER $100 OF ASSESSED VALUATION - FISCAL YEAR BEGINNING AS SHOWN

	Town of Hempstead					Town of North Hempstead					Town of Oyster Bay				
	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03
General County (a)															
I	18 965	6 092	4 897	5 958	3 505	18 968	6 094	4 919	5 972	3 505	18 961	6 092	4 915	5 971	3 506
II	15 990	13 049	22 348	25 245	4 225	15 993	13 050	22 370	25 259	4 225	15 986	13 048	22 366	25 258	4 225
III	19 896	18 352	29 041	30 679	0 507	19 898	18 354	29 064	30 694	0 507	19 892	18 352	29 059	30 692	0 507
IV	14 085	12 239	19 076	22 459	3 027	14 088	12 241	19 098	22 473	3 026	14 081	12 238	19 094	22 472	3 027
Community College															
I	6 957	3 908	2 259	2 095	1 107	6 957	3 908	2 259	2 095	1 107	6 957	3 908	2 259	2 095	1 107
II	6 212	6 105	6 685	6 437	1 273	6 212	6 105	6 685	6 437	1 273	6 212	6 105	6 685	6 437	1 273
III	7 190	7 781	8 382	7 660	0 414	7 190	7 781	8 382	7 660	0 414	7 190	7 781	8 382	7 660	0 414
IV	5 734	5 850	5 855	5 810	0 997	5 734	5 850	5 855	5 810	0 997	5 734	5 850	5 855	5 810	0 997
Police Headquarters															
I	41 706	21 873	12 867	11 728	6 770	41 706	21 873	12 867	11 728	6 770	41 706	21 873	12 867	11 728	6 770
II	37 238	34 172	38 073	36 002	7 787	37 238	34 172	38 073	36 002	7 787	37 238	34 172	38 073	36 002	7 787
III	43 103	43 550	47 740	42 844	2 533	43 103	43 550	47 740	42 844	2 533	43 103	43 550	47 740	42 844	2 533
IV	34 377	32 740	33 347	32 495	6 093	34 377	32 740	33 347	32 495	6 093	34 377	32 740	33 347	32 495	6 093
Fire Prevention															
I	2 300	1 352	0 791	0 875	0 459	2 300	1 352	0 791	0 875	0 459	2 300	1 352	0 791	0 875	0 459
II	2 054	2 112	2 339	2 687	0 527	2 054	2 112	2 339	2 687	0 527	2 054	2 112	2 339	2 687	0 527
III	2 377	2 692	2 933	3 197	0 172	2 377	2 692	2 933	3 197	0 172	2 377	2 692	2 933	3 197	0 172
IV	1 896	2 024	2 049	2 425	0 413	1 896	2 024	2 049	2 425	0 413	1 896	2 024	2 049	2 425	0 413
County Parks															
I	Part of	4 596	2 599	2 264	1 213	Part of	4 596	2 599	2 264	1 213	Part of	4 596	2 599	2 264	1 213
II	General	7 180	7 691	6 956	1 395	General	7 180	7 691	6 956	1 395	General	7 180	7 691	6 956	1 395
III	County	9 150	9 643	8 278	0 454	County	9 150	9 643	8 278	0 454	County	9 150	9 643	8 278	0 454
IV	for 2007	6 879	6 736	6 278	1 092	for 2007	6 879	6 736	6 278	1 092	for 2007	6 879	6 736	6 278	1 092
Environmental Bond															
I	0 631	Not	Not	Not	Not	0 631	Not	Not	Not	Not	0 631	Not	Not	Not	Not
II	0 564	Levied	Levied	Levied	Levied	0 564	Levied	Levied	Levied	Levied	0 564	Levied	Levied	Levied	Levied
III	0 652	For	For	For	For	0 652	For	For	For	For	0 652	For	For	For	For
IV	0 520	2006	2005	2004	2003	0 520	2006	2005	2004	2003	0 520	2006	2005	2004	2003

(a) The County Legislature determines the general County tax rate for each of the towns and cities in the County after allocation of certain sales and compensating use tax revenues in the County The County assesses real property in accordance with State law at a fractional percentage of fair market value, currently one (1%) percent for commercial property and one-quarter of one percent for residential property

FIGURE 27
GENERAL COUNTY TAX RATES
COUNTY-WIDE PURPOSES, BY FUND AND CLASS (I-IV)

PER $100 OF ASSESSED VALUATION - FISCAL YEAR BEGINNING AS SHOWN

	City of Glen Cove					City of Long Beach				
	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03
General County (a)										
I	18 979	6 120	4 890	5 961	3 508	27 766	12 367	8 904	9 295	4 789
II	16 004	13 076	22 341	25 248	4 228	24 792	19 324	26 355	28 582	5 508
III	19 909	18 380	29 035	30 683	0 510	28 697	24 627	33 048	34 017	1 790
IV	14 099	12 266	19 069	22 463	3 030	22 887	18 514	23 083	25 797	4 310
Community College										
I	6 957	3 908	2 259	2 095	1 107	6 957	3 908	2 259	2 095	1 107
II	6 212	6 105	6 685	6 437	1 273	6 212	6 105	6 685	6 437	1 273
III	7 190	7 781	8 382	7 660	0 414	7 190	7 781	8 382	7 660	0 414
IV	5 734	5 850	5 855	5 810	0 997	5 734	5 850	5 855	5 810	0 997
Police Headquarters										
I	41 706	21 873	12 867	11 728	6 770	41 706	21 873	12 867	11 728	6 770
II	37 238	34 172	38 073	36 002	7 787	37 238	34 172	38 073	36 002	7 787
III	43 103	43 550	47 740	42 844	2 533	43 103	43 550	47 740	42 844	2 533
IV	34 377	32 740	33 347	32 495	6 093	34 377	32 740	33 347	32 495	6 093
Fire Prevention										
I	2 300	1 352	0 791	0 875	0 459	2 300	1 352	0 791	0 875	0 459
II	2 054	2 112	2 339	2 687	0 527	2 054	2 112	2 339	2 687	0 527
III	2 377	2 692	2 933	3 197	0 172	2 377	2 692	2 933	3 197	0 172
IV	1 896	2 024	2 049	2 425	0 413	1 896	2 024	2 049	2 425	0 413
County Parks										
I	Part of	4 596	2 599	2 264	1 213	Part of	4 596	2 599	2 264	1 213
II	General	7 180	7 691	6 956	1 395	General	7 180	7 691	6 956	1 395
III	Fund	9 150	9 643	8 278	0 454	Fund for	9 150	9 643	8 278	0 454
IV	for 2007	6 879	6 736	6 278	1 092	2007	6 879	6 736	6 278	1 092
Environmental Bond										
I	0 631	Not	Not	Not	Not	0 631	Not	Not	Not	Not
II	0 564	Levied	Levied	Levied	Levied	0 564	Levied	Levied	Levied	Levied
III	0 652	For	For	For	For	0 652	For	For	For	For
IV	0 520	2006	2005	2004	2003	0 520	2006	2005	2004	2003

(a) The County Legislature determines the general County tax rate for each of the towns and cities in the County after allocation of certain sales and compensating use tax revenues in the County.

Figure 28 shows tax rates for special districts in the County. Beginning in 2004, County sewage collection and disposal districts became zones of assessment within the consolidated Nassau County Sewer and Storm Water Resources District.

FIGURE 28
TAX RATES OF COUNTY FOR SPECIAL DISTRICTS/ZONES OF ASSESSMENT
BY FUND AND CLASS (I-IV)
PER $100 OF ASSESSED VALUATION-FISCAL YEAR BEGINNING AS SHOWN

	1/1/07	1/1/06	1/1/05	1/1/04	1/1/03
Police District					
I	52 412	31 048	17 691	16 932	9 247
II	55 049	56 928	53 867	49 625	9 679
III	160 156	190 842	175 221	174 579	9 201
IV	61 009	61 735	57 307	54 593	9 471
Sewage Districts					
Disposal District No 1					
I	19 886	11 799	7 452	7 366	4 120
II	10 143	11 595	12 165	11 899	4 072
III	64 429	68 839	75 988	77 468	4 072
IV	22 663	22 945	22 854	22 541	4 193
Disposal District No 2					
I	14 173	10 403	6 333	6 217	3 427
II	14 833	18 736	18 706	17 955	3 641
III	44 280	63 771	62 612	64 443	3 406
IV	16 855	21 077	21 101	20 622	3 476
Disposal District No 3					
I	15 177	8 852	5 499	5 181	2 939
II	15 392	15 793	16 232	14 934	3 016
III	45 809	50 649	52 052	51 539	2 924
IV	16 901	16 893	16 898	15 748	3 026
Collection District No 1					
I	19 578	14 206	8 972	8 868	4 960
II	9 985	13 959	14 646	14 326	4 903
III	63 428	82 880	91 487	93 269	4 903
IV	22 311	27 625	27 515	27 139	5 048
Collection District No 2[a]					
I	6 605	4 756	2 904	2 857	1 522
II	7 278	9 604	9 725	9 567	1 551
III	22 395	30 294	29 203	29 970	1 495
IV	5 819	6 950	6 617	6 539	1 526
Collection District No 3[a]					
I	5 999	5 289	3 278	3 275	1 746
II	6 069	9 507	9 564	9 285	1 777
III	18 494	30 908	31 525	32 662	1 737
IV	7 008	10 635	10 635	10 474	1 793

[a] Rate shown is the average rate of all former districts/zones of assessment within each listed district

Property Tax Levies

Figure 29 (Figure 4) below lists the percentage of the total tax levy of all political subdivisions (by category) that real property taxes bear in relation to each other.

FIGURE 4
COUNTT OF NASSAU, NEW YORK
PROPERTY TAX LEVIES
COUNTY, TOWN, CITY, VILLAGE GOVERNMENTS AND SPECIAL DISTRICTS
2002 THROUGH 2005
($ IN THOUSANDS)

	2005		2004		2003		2002	
	Tax Levy	% of Total	Tax Levy	% of Total	Tax Levy	% of Total	Tax Levy	% of Total
Nassau County Government	783,512	16 41%	781,828	17 50%	780,211	18 45%	655,612	16 86%
Sewer & Storm Water Consolidated	138,932	2 91%	138,932	3 11%	-	0 00%	-	0 00%
Sewer Collection		0 00%	-	0 00%	102,422	2 42%	39,290	1 01%
Sewer Disposal		0 00%	-	0 00%	40,217	0 95%	100,131	2 57%
Town & City Governments	208,654	4 37%	183,267	4 10%	175,251	4 14%	165,369	4 25%
Incorporated Villages	344,668	7 22%	330,851	7 41%	311,028	7 35%	328,463	8 44%
School Districts	2,833,955	59 34%	2,618,054	58 60%	2,431,227	57 49%	2,229,206	57 31%
Special Districts								
Fire	88 558	1 85%	84 143	1 88%	78 685	1 86%	76,239	1 96%
Fire Protection	15,292	0 32%	14,239	0 32%	13,595	0 32%	12,751	0 33%
Garbage, Refuse & Sanitary	174,235	3 65%	169,131	3 79%	160,868	3 80%	150,799	3 88%
Lighting	14,194	0 30%	12,643	0 28%	12,027	0 28%	12,010	0 31%
Park	80,837	1 69%	54,730	1 23%	51,548	1 22%	47,496	1 22%
Parking & Improvement	49,159	1 03%	38,582	0 86%	33,876	0 80%	35,528	0 91%
Sewer Special	12,015	0 25%	11,501	0 26%	11,258	0 27%	11,051	0 28%
Water	31,739	0 66%	29,405	0 66%	27,094	0 64%	25,504	0 66%
Total Special Districts	466,029	9 76%	414,374	9 28%	388,951	9 20%	371,378	9 55%
Totals	4,775,750	100 00%	4,467,306	100 00%	4,229,307	100 00%	3,889,449	100 00%

Data extracted from County of Nassau, Comprehensive Annual Financial Report of the Comptroller for the Fiscal Years ended December 31, 2006 and 2005. Data for 2006 and later is not available for all jurisdictions at this time

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APPENDIX B

GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005

THE FINANCIAL STATEMENTS OF THE COUNTY AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005, INCLUDED IN APPENDIX B, HAVE BEEN AUDITED BY DELOITTE & TOUCHE LLP, INDEPENDENT AUDITORS. THE FOLLOWING IS AN EXCERPT FROM SUCH AUDIT.

The audited financial statement and opinion were prepared as of the date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement. The auditor has not been asked to and has not reviewed or commented upon the Official Statement.

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INDEPENDENT AUDITORS' REPORT

Honorable Thomas R. Suozzi, County Executive
and Members of the County Legislature
County of Nassau, New York

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nassau, New York, (the "County"), as of December 31, 2006 and 2005, (with the Nassau Community College for the years ended August 31, 2006 and 2005), which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of December 31, 2006 and 2005 and for the years then ended as listed in the table of contents. These financial statements are the responsibility of the County of Nassau's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Nassau Regional Off-Track Betting Corporation, the Nassau County Industrial Development Agency, and the Nassau Health Care Corporation, all discretely presented component units, which as combined represent 13 and 10 percent and 28 and 16 percent, respectively, of the assets and revenues of the County for each of the years ended December 31, 2006 and 2005. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities is based solely on the reports of the other auditors. The report of the independent auditor for Nassau Health Care Corporation contained an explanatory paragraph concerning its ability to continue as a going concern (see Note 16).

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions. The financial statements of the Nassau Regional Off-Track Betting Corporation, the Nassau County Industrial Development Agency and Nassau Health Care Corporation were not audited in accordance with *Government Auditing Standards.*

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nassau, New York, as of December 31, 2006 and 2005, and the respective changes in financial position, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of nonmajor governmental and fiduciary funds of the County of Nassau, New York, as of December 31, 2006 and 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 15 through 26 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 2006 supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Nassau's basic financial statements. The accompanying financial information listed as Other Supplementary Information, in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of the County of Nassau's management. The accompanying financial information listed as Other Supplementary Information, in the foregoing table of contents, has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section, in the foregoing table of contents, has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2007, on our consideration of the County of Nassau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

June 28, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Nassau County's comprehensive annual financial report ("CAFR") complies with the requirements of Governmental Accounting Standards Board Statement No. 34 ("GASB 34"). This section of the report, required under GASB 34, presents management's discussion and analysis ("MD&A") of the County's financial activities and performance for the fiscal years ended December 31, 2006 and 2005. This section should be read in conjunction with the letter of transmittal and the County's financial statements.

FINANCIAL HIGHLIGHTS

- The County's net worth declined by $34.1 million during 2006 to negative $1.46 billion. This was due to several factors. On the positive side, there was a $41.4 million increase in revenues over 2005, primarily the result of rising sales tax collections and investment income earnings. More than offsetting this increase in revenues was $74.6 million in expenditure growth over 2005. This was the result of a multitude of factors including increased tobacco residual trust contributions, increased estimates of long-term workers compensation costs and rising interest on long-term debt.

- The County generated a budgetary surplus of $45.4 million in its major operating funds in 2006. This surplus can be attributed to conservative budgeting, expense relief, one-time revenues, and progress in the implementation of key components of the multi-year financial plan.

- In 2007, the County allocated $25 million of these surplus funds for the purpose of making refund payments to residential and commercial property taxpayers who successfully challenge their assessments. This represents the second step in the County's transition to pay-as-you-go financing (PAYGO) for all property tax refunds from operating funds instead of using borrowed proceeds by 2007. The transition to PAYGO is required by NIFA enabling legislation. Another $16 million was deposited into the Retirement Contribution Fund for the purpose of offsetting future pension costs.

- These financial statements are presented on a Generally Accepted Accounting Principles (GAAP) basis. In addition, certain statements present GAAP to budgetary basis conversion columns to present actual results on a budgetary basis. Unreserved fund balance in the County's primary operating funds (General, Police Headquarters, Police Districts, Parks, and Fire Safety) remained at $104.1 million on a budgetary basis, and $91.8 million on a GAAP basis, of which $87.8 million is in the General Fund. Unreserved fund balance in the Sewer and Storm Water District Fund totals $121.3 million.

- Since February of 2003, the rating agencies have increased Nassau's credit rating a combined total of 11 times. In June 2005, Fitch Ratings awarded Nassau County a double-notch upgrade, increasing its rating from an A- to an

A+. In November 2005 Standard and Poor's increased the rating from A- to A. Moody's Investor Services maintains its A3 rating.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS FOR 2006

GASB 34 requires the inclusion of two types of financial statements in the CAFR: *government-wide financial statements* and *fund financial statements.*

Government-wide financial statements provide information about the County as a whole using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus looks at the transactions and events that have increased or decreased the total economic resources of the government as a whole during the accounting period being reported. The accrual basis of accounting requires revenues to be recognized as soon as they are earned, regardless of the timing of related inflows of cash, and it requires expenses to be recognized as soon as liabilities are incurred, regardless of the timing of related outflows of cash. These statements present a long-term view of the County's finances. There are two government-wide financial statements: the *statement of net assets* and the *statement of activities*.

The statement of net assets reports everything the County owns (its assets) and owes (its liabilities) as of the end of the year. Net assets are what remain after all liabilities have been paid off or otherwise satisfied; they signify the net worth of the government. This statement is designed to display assets and liabilities in order of their basic liquidity and maturity while presenting the basic accounting relationship applicable to public sector entities: *assets – liabilities = net assets.* This statement also presents all of the County's economic resources – that is, all of its assets and liabilities, both financial and capital. The statement of activities tracks the County's annual revenues and expenses as well as any other transactions that increase or reduce net assets. It divides the County's activities into three elements: its governmental activities, its business-type activities (if applicable), and the activities of its component units.

The Statement of Net Assets

The statement of net assets for the 2006 fiscal year shows that Nassau County has a deficit balance totaling $1.46 billion. Table 1 shows that the County's negative net worth increased by $34.1 million during 2006.

Table 1
Summary of Net Assets (Deficit)
(dollars in millions)

	Total Primary Governmental Activities 2006	Total Primary Governmental Activities 2005	Change
Current and Other Assets	$ 1,177.0	$ 1,253.4	(76.4)
Capital Assets	2,332.9	2,313.0	19.9
Total Assets	3,509.9	3,566.4	(56.5)
Long-Term Liabilities	4,114.5	4,185.7	(71.2)
Other Liabilities	859.9	811.1	48.8
Total Liabilities	4,974.4	4,996.8	(22.4)
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,556.2	1,429.7	126.5
Restricted	32.7	113.6	(80.9)
Unrestricted	(3,053.4)	(2,973.7)	(79.7)
Total Net Assets (Deficit)	$ (1,464.5)	$ (1,430.4)	$ (34.1)

The County's total assets declined by $56.5 million in 2006, from $3.57 billion to $3.51 billion. This occurred primarily because in 2006 the County was required to utilize operating funds to make tax certiorari payments (as opposed to borrowing) and this resulted in a decrease in cash balances.

Table 1 also shows that total liabilities declined in 2006 by $22.4 million. Again, this was primarily due to the utilization of operating funds to make tax certiorari payments, which reduced the need for long-term borrowings. In addition, a reduction in estimated long-term liabilities for accrued vacation and sick leave was partially offset by an increase in estimated long-term liabilities for workers compensation claims. There was also an increase in other liabilities due to a $32.5 million increase in the issuance of commercial paper by the Sewer and Storm Water Finance Authority.

The County has $1.56 billion invested in its capital assets, net of related debt. Capital assets are used by the County in the provision of services to the taxpayers; hence, this investment of County equity, because it is tied up in the County's capital assets, is not immediately available to support future expenses.

The County has $32.7 million in restricted net assets. Restricted net assets are subject to requirements imposed by legislation or by outside parties; accordingly, such assets are also not readily available to offset financial commitments made by the County in the future. The County's restricted net assets consist of fund balances that have been accumulated in its capital project funds.

Finally, the County's statement of net assets shows a deficit balance of $3.05 billion in unrestricted net assets in 2006, which represents an increase in the deficit of $79.7 million since the close of the 2005 fiscal year. Unrestricted net assets reflect all liabilities that are not related to the County's capital assets and which are not expected to be repaid from restricted resources. Accordingly, the County will have to allocate future revenues towards the payment of these liabilities as well.

Notwithstanding their unique budgetary pressures, counties in New York State generally have a positive balance of net assets, so Nassau's substantial negative net worth requires additional explanation.

As of December 31, 2006, Nassau County and its blended component units had a combined $3.2 billion in outstanding long-term debt. All of the County's debt indicators and ratios are disproportionately high, exceeding comparable indicators and ratios of peer counties in New York State. This is because the County has historically issued long-term debt to finance judgments, settlements, and the payment of property tax refunds resulting from successful grievances of property tax assessments.

Nassau County is responsible under State law for guaranteeing the tax levy of the three towns within the County, all but one of the 56 school districts, and 225 special districts. Prior to the mass property revaluation which was completed in 2002, the County had not reassessed its residential properties since 1938, nor had it reassessed its commercial properties since 1986. Even after the revaluation, over one-hundred thousand grievances have been filed annually by residential and commercial property owners protesting the accuracy of the assessed values assigned to their properties. In 2006, the County began paying tax certiorari settlements using operating funds.

The Statement of Activities

The statement of activities for the fiscal year that ended December 31, 2006 details the decline in the County's net worth from 2005 to 2006. Table 2 summarizes the changes in the County's net assets. There are several factors that impacted the County's net worth. They include:

- Charges for Services decreased by $21.6 million, primarily because there were no separate Medicaid Intergovernmental Transfer Program payments during 2006 compared to $38.5 million in 2005.

- Capital Grants increased by $5.2 million due primarily to the receipt of a $6.5 million award from the Environmental Protection Agency for the settlement of an administrative action related to sewage treatment plant construction.

- Sales Tax Revenues increased $36.5 million, as the County experienced 3.9 percent growth over 2005.

- Investment Income grew $12.8 million due both to larger cash balances and rising short-term interest rates.

- General Government Expenses grew by a net of $94.7 million. Approximately $140 million of the increase was related to the establishment of the tobacco residual trust. In addition, workers compensation expenses grew by approximately $44 million. Partially offsetting this increase was a $186 million-reduction in tax certiorari payments.

- Social Services expenses dropped $44.7 million due primarily to the fact that there was no separate Medicaid Intergovernmental Transfer Program payment in 2006.

Table 2
Change in Net Assets
(dollars in millions)

	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services	$ 195.4	$ 217.0	$ (21.6)
Operating Grants	383.0	381.3	1.7
Capital Grants	32.5	27.3	5.2
General Revenues			
Property Taxes	883.6	884.9	(1.3)
Sales Taxes	989.2	952.7	36.5
Other Taxes	39.5	40.9	(1.4)
Tobacco Settlement Revenues	53.7	45.3	8.4
Investment Income	49.4	36.6	12.8
Other General Revenues	22.5	21.4	1.1
Total Revenues	2,648.8	2,607.4	41.4
Expenses			
Legislative	8.8	8.3	0.5
Judicial	45.0	42.5	2.5
General Government	587.8	493.1	94.7
Protection of Persons	633.2	638.4	(5.2)
Health	248.8	239.1	9.7
Public Works	226.6	228.1	(1.5)
Recreation and Parks	45.7	41.5	4.2
Social Services	490.3	535.0	(44.7)
Corrections	225.3	218.1	7.2
Education	10.5	13.6	(3.1)
Interest on Long Term Debt	160.9	150.6	10.3
Total Expenses	2,682.9	2,608.3	74.6
Increase / Decrease	(34.1)	(0.9)	(33.2)
Net Assets - (Deficit) Beginning	(1,430.4)	(1,429.5)	(0.9)
Net Assets - (Deficit) Ending	$ (1,464.5)	$ (1,430.4)	$ (34.1)

ANALYSIS OF FUND FINANCIAL STATEMENTS FOR 2006

The remaining statements in the CAFR are *fund financial statements* (*governmental fund statements and fiduciary fund statements*) that focus on individual parts of the County government, reporting on the County's operations in more detail than the government-wide statements. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending on particular programs. The fund financial statements employ the *current financial resources measurement focus* and are presented using the *modified-accrual basis of accounting*. The current financial resources measurement focus requires the fund financial statements to report near-term inflows and outflows of financial resources. To achieve this objective, the application of the accrual basis of accounting must be modified so that the fund financial statements report only those transactions and events that affect inflows and outflows of financial resources in the near future.

The County's *governmental fund statements* (*balance sheet and statement of revenues, expenditures, and changes in fund balance*) tell how the general governmental services were financed in the short term as well as what money remains for future spending. These statements present the government's current financial resources (which include its cash and assets that will become cash in the next year) and the current liabilities that these assets will be used to retire.

The County's general operations are financed through five primary operating funds: the General Fund; the County Parks and Recreation Fund; the Fire Prevention, Safety, Communication, and Education Fund; the Police Headquarters Fund; and the Police District Fund. With the exception of the Police District Fund, the remaining primary operating funds have identical tax bases; accordingly, the resources in these funds are fungible. The County also has a debt service fund into which resources are transferred to pay current and future debt service obligations. The County's sewer and storm water operations are funded through a sewer and storm water resources district, which through state legislation consolidated three sewage disposal district maintenance funds as well as a sewage collection district maintenance fund for the twenty-seven sewer collection districts located throughout Nassau County. The County also has a Technology Fund, an Open Space Fund, as well as a series of other non-major operating and capital project funds.

The Governmental Fund Statements

Nassau County ended the 2006 fiscal year with a budgetary surplus totaling $45.4 million aggregated across its primary operating funds.

The County allocated $25 million of these surplus funds for the purpose of paying 2007 tax certiorari settlements. This represents the second step in the County's transition to utilizing PAYGO funds instead of using borrowed proceeds. Another $16 million was deposited into the Retirement Contribution Fund for the purpose of offsetting future pension costs.

Table 3
Summary of Changes in Unreserved Fund Balance
Major Operating Funds
Primary Operating Funds and Sewer District Fund
(dollars in millions)

	2006	2005	Change
Primary Operating Funds			
General Fund	$ 85.8	$ 88.5	$ (2.7)
Parks Fund	(0.2)	(0.2)	
Fire Commission	(0.2)	(0.3)	0.1
Police Headquarters	(12.0)	(9.7)	(2.3)
Police District	14.3	(0.2)	14.5
Total Primary Operating Funds	$ 87.7	$ 78.1	$ 9.6
Sewer District Fund -			
Sewer and Storm Water District	$ 121.3	$ 52.1	$ 69.2

As Table 3 shows, accumulated unreserved, undesignated fund balance in the primary operating funds totaled $87.7 million at the end of 2006 on a financial reporting basis. On a budgetary basis, while the County ended 2006 with accumulated unreserved and undesignated fund balance totaling $103.91 million, it should be pointed out that $13 million was appropriated for non-recurring purposes in the Adopted 2007 Budget and $25 million subsequently was supplementally appropriated into the 2007 Budget to make tax certiorari payments.

Unreserved fund balance in the sewer and storm water resources district grew by $69.6 million, reflecting several factors including budget surpluses, debt restructuring, and the receipt of Federal and State grant recoveries.

The County's operating surplus and its ability to increase the size of its accumulated unreserved, undesignated fund balance on a budgetary basis were the result of conservative budgeting, a series of one-time benefits, and substantial progress in the implementation of core elements of the multi-year financial plan. Specific factors that contributed to the County's fiscal performance were as follows:

- The County's workforce management program limited new hiring primarily to essential and/or emergency functional areas, and throughout the year, full-time staffing levels were below budgeted levels. For example, on December 21, 2006, full-time staffing in the primary operating funds was 269 positions below the budget allotment of 9,163.

- The County successfully implemented a series of "smart government initiatives" the value of which totaled $8.9 million. These initiatives included Police Department overtime management, health and human services administrative consolidation and various revenue enhancements.

- Investment income exceeded budget by $12.8 million due to a conservative budget estimate and higher than expected increases in interest rates.

- There were several one-time recoveries in 2006, including $4.1 million in State reimbursement for prior Medicaid expenses, $6 million in Medicaid cap reconciliations, and $2.2 million from a settlement related to defective bullet-proof vests.

- Partially offsetting these positive results were several negative factors including a $7.6 million shortfall in sales tax receipts, increasing Early Intervention and Special Education costs and rising energy rates.

CAPITAL INVESTMENTS

The County completed a number of capital projects during the 2006 fiscal year, including the improvement of the intersection of Woodbury Road at Syosset Woodbury Road with the creation of a signalized tee intersection, the improvement of Plainview Road from 500' east of the LIRR to South Oyster Bay Road with the installation of new pavement, curbs and sidewalks and improved drainage, and the improvement of Old Country Road and Franklin Avenue with the addition of an eastbound right-hand turn lane. The County also worked together with the Town of Hempstead to complete a project which involved raising the elevation of the roads and the installation of a detention basin within the Meadowmere district. During 2006 some of the capital improvements at various County parks included renovations throughout Rev. Arthur Mackey Sr. Park, installation of a new HVAC system at Cantiague Park ice skating rink, installation of a playground and path resurfacing at Cow Meadow Park and rehabilitation of Mill Pond, Silver Lake and Lofts Pond. In addition, other notable capital improvement projects included the replacement of a Bell Helicopter for the Nassau County Police Department and the restoration of the Bayville Bridge. Two construction projects to renovate the Old County Courthouse continued in 2006. The restoration of the Portico is now complete. The re- construction of the Old Courthouse, which began in 2005, is well past the halfway point. In addition the County's new Police and Fire Communication Center is nearing design completion.

The County made capital improvements during 2006 in the following areas:

Table 4
Capital Improvements
December 31, 2005 to December 31, 2006
(amounts in millions)

Project Category	Amount
Roads	$28.5
Real Estate Consolidation	$26.4
Public Safety	$8.7
Parks	$7.9
Sewer and Storm Water	$10.2
Property Acquisition	$0.5
Building Improvements	$5.3
Traffic	$6.0
Technology	$4.5
Infrastructure and Community Development	$7.0
Equipment	$3.1
Transportation	$0.7
Total	**$108.8**

Detailed information on capital asset activity is available in the Notes to the Financial Statements Exhibit X16, Note 7.

DEBT

Nassau County and its blended component units - NIFA, the Tobacco Settlement Corporation ("TSC"), and the SSWFA - had approximately a combined $3.19 billion in outstanding long-term debt as of December 31, 2006, representing a decrease of almost $35.4 million over the combined long-term debt outstanding as of December 31, 2005. The County also provides a direct-pay guarantee of $298.59 million outstanding from the refunding and new money debt issued in October of 2004 by the Nassau Health Care Corporation and $20.36 million outstanding from the refunding and new money debt issued in June of 2005 by the Nassau Regional Off-Track Betting Corporation. Since the two corporations are discretely-presented component units of the County, their debt is not itemized in Table 5 below.

Table 5
Changes in Long-Term Debt Obligations
(dollars in thousands)

	Balance 31-Dec-05	Additions	Reductions	Balance 31-Dec-06
General Obligation County Bonds	$ 493,237	$	$ (111,201)	$ 382,036
Sewage Purpose Bonds	128,308		(23,132)	105,176
SRF Revenue Bonds	164,159		(8,345)	155,814
Total county Long -Term Debt	785,704		(142,678)	643,026
NIFA Sales Tax Secured Bonds	2,086,960		(48,460)	2,038,500
Tobacco Settlement Asset-Backed Bonds	272,125	431,034	(272,125)	431,034
Sewer Financing Authority	78,575		(3,125)	75,450
TOTAL LONG TERM DEBT	$ 3,223,364	$ 431,034	$ (466,388)	$ 3,188,010

Nassau County's outstanding long-term debt has declined by $142.7 million during 2006 and $399.6 million since 2000, because the County has been issuing long-term debt through NIFA since that time. The only exception has been the County's continued issuance of debt through the State Revolving Loan Fund ("SRF") for sewer and storm water improvement initiatives. The SRF is administered by the New York State Environmental Facilities Corporation. It provides interest-subsidized loans to local governments for eligible environmental projects.

NIFA's long-term debt decreased $48.5 million during the 2006 fiscal year. This decrease reflects the maturity of existing NIFA debt.

During 2006, the Tobacco Settlement Corporation (TSC) restructured the 1999 securitization of the tobacco settlement revenues. As of December 31, 2006, the TSC had $431.0 million in outstanding asset-backed debt. Approximately $134.0 million in new and existing securitization proceeds remain for use by the County. The County intends to dedicate most of these resources to the Nassau Health Care Corporation.

During 2006, the SSWFA added $32.6 million in commercial paper notes and repaid $3.125 million of outstanding bonds.

Detailed information on long term debt activity is available in the Notes to the Financial Statements Exhibit X16, Note 9.

The County issued a cash flow note during the 2006 fiscal year. Management anticipates issuing one or more cash flow notes in 2007.

NASSAU COUNTY'S CREDIT RATING

The three major credit rating agencies have responded to the County's fiscal progress by increasing the ratings assigned to the County's long-term general obligation debt a total of 11 times from February of 2003 through November of 2005.

From February through December of 2003, Moody's Investors Service raised Nassau's credit rating from Baa3 to Baa1, Standard and Poor's increased Nassau's credit rating from BBB- to BBB+, and Fitch Ratings elevated the County's credit rating from BBB to BBB+ with a positive outlook.

During 2004, Moody's Investors Service raised Nassau's credit rating from Baa1 to A3, Standard and Poor's increased Nassau's credit rating from BBB+ to A-, and Fitch Ratings elevated the County's credit rating from BBB+ with a positive outlook to A- with a positive outlook.

In June of 2005, Fitch Ratings awarded Nassau County a double-notch upgrade, raising the County's credit rating from A- with a positive outlook to A+ with a positive outlook. In November of 2005 Standard and Poor's raised the County's rating from A- to A.

CONCLUSION

The County's net worth declined by $34.1 million during 2006 to negative $1.46 billion. This was due to several factors. On the positive side, there was a $41.4 million increase in revenues over 2005, primarily the result of rising sales tax collections and investment income earnings. More than offsetting this increase in revenues was $74.6 million in expenditure growth over 2005. This was the result of a multitude of factors including increased tobacco residual trust contributions, estimated long-term workers compensation liability growth and rising interest on long-term debt.

During 2006, the County generated a positive budgetary surplus of $45.4 million across its major operating funds. This surplus was a result, in large part, of conservative budgeting, one time benefits, and progress in the implementation of the multi-year financial plan. Of these funds, the County directed $25 million to make property tax refund payments, and $16 was added to the Retirement Contribution Reserve Fund to hedge against future pension cost growth. At the end of 2006, unreserved, undesignated fund balance in the County's primary operating funds stood at $103.9 million on a budgetary basis.

Despite the County's considerable financial progress, significant challenges to the County's future fiscal health remain. The multi-year financial plan continues to project out-year budget gaps which will require new fiscal initiatives to close.

BASIC FINANCIAL STATEMENTS

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EXHIBIT X-1

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
DECEMBER 31, 2006 (Dollars in Thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 439,529	$ 77,170
Investments, Including Accrued Interest (Note 2)	84,186	
Assets Whose Use is Limited- Current		15,137
Sales Tax Receivable	98,128	
Interest Receivable	6,107	
Student Accounts and Loans Receivable		5,970
Less Allowance for Doubtful Amounts		(2,287)
Due from Other Governments (Note 3)	177,603	5,786
Less Allowance for Doubtful Accounts	(1,752)	
Other Receivables		6,568
Accounts Receivable	27,674	286,296
Less Allowance for Doubtful Accounts		(167,903)
Real Property Taxes Receivable	61,189	
Less Allowance for Doubtful Accounts	(7,945)	
Due from Component Unit (Note 6)	14,710	
Inventories		4 652
Prepaids	111 196	
Other Assets Current	16 215	17 586
Total Current Assets	1 026 840	228 975
NON CURRENT ASSETS		
Deferred Financing Costs	164,012	8,525
Less Accumulated Amortization	(25,099)	(2 193)
Assets Whose Use is Limited		35,582
Capital Assets Not Being Depreciated (Note 7)	500,002	17,517
Depreciable Capital Assets (Note 7)	2,852,059	626 496
Less Accumulated Depreciation	(1 019,240)	(403,083)
Leasehold Acquisition Costs		1,020
Less Accumulated Amortization		(1,020)
Deposits Held by Trustees		7,669
Deposits Held in Custody for Others		1 496
Tax Sale Certificates (Note 5)	4,681	
Tax Real Estate Held for Sale (Note 4)	6,578	
Other Assets		7 442
Total Non Current Assets	2 482 993	299 451
Total Assets	3 509 833	528 426
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	70,433	39,912
Accrued Liabilities	194,619	20 019
Tax Anticipation Notes Payable	150,000	
Accrued Interest Payable	13,088	1,459
Notes Payable - Current	44 435	46
Due to Primary Government (Note 6)		6,993
Unearned Revenue - Current	30,634	16,250
Current Portion of Long Term Liabilities (Note 9)	326,651	8,040
Other Liabilities - Current	30,026	17,359
Total Current Liabilities	859,886	110,078
NON CURRENT LIABILITIES		
Notes Payable		291
Serial Bonds Payable (Notes 9 and 10)	2,981,294	321,527
Deferred Bond Premium (Net of Amortization)	89,269	2,426
Unearned Revenue	2,034	
Accrued Vacation and Sick Pay (Note 9 and 15)	513 587	75,100
Estimated Workers' Compensation Liability (Notes 9 and 15)	132,631	
Estimated Tax Certiorari Payable (Notes 9 and 15)	87,200	
Estimated Liability for Litigation and Malpractice (Notes 9 and 15)	215,163	42,236
Capital Lease (Note 8)	5,550	
Other Liabilities - Non Current	87,748	2 198
Deposits Held in Custody for Others		1,496
Insurance Reserve Liability		1,775
Total Non Current Liabilities	4,114,496	447,049
Total Liabilities	4,974,382	557,127
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,556,170	97 870
Restricted		
Special Revenue		2,006
Capital Projects	32,719	1,397
Debt Service		9,852
Student Loans		502
Unrestricted deficit	(3,053,438)	(140,328)
Total Net Assets (deficit)	$ (1 464,549)	$ (28,701)

See accompanying notes to financial statements

EXHIBIT X-1

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
DECEMBER 31, 2005 (Dollars in Thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 638,133	$ 66,803
Investments, Including Accrued Interest (Note 2)	30,817	
Assets Whose Use is Limited- Current		24,723
Sales Tax Receivable	97,031	
Interest Receivable	2,166	
Student Accounts and Loans Receivable		5,490
Less Allowance for Doubtful Amounts		(1,872)
Due from Other Governments (Note 3)	161,272	51,788
Less Allowance for Doubtful Accounts	(4,569)	
Other Receivables		17 740
Accounts Receivable	12,375	246 753
Less Allowance for Doubtful Accounts		(153,860)
Real Property Taxes Receivable	57,522	
Less Allowance for Doubtful Accounts	(8,832)	
Due from Component Unit (Note 6)	37,008	
Inventories		4 862
Prepaid Expenses	80,001	
Other Assets - Current	25 243	12 645
Total Current Assets	1,128,167	275 072
NON CURRENT ASSETS:		
Deferred Financing Costs	130,776	8,349
Less Accumulated Amortization	(16,648)	(1,620)
Assets Whose Use is Limited		38,410
Capital Assets Not Being Depreciated (Note 7)	416 161	19,237
Depreciable Capital Assets (Note 7)	2 817 575	609,059
Less Accumulated Depreciation	(920 691)	(381,009)
Leasehold Acquisition Costs		1,020
Less Accumulated Amortization		(952)
Deposits Held by Trustees		6,945
Deposits Held in Custody for Others		1,428
Tax Sale Certificates (Note 5)	4 400	
Tax Real Estate Held for Sale (Note 4)	6 638	
Other Assets		4,823
Total Non Current Assets	2 438 211	305,690
Total Assets	3,566 378	580,762
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	50 056	52,714
Accrued Liabilities	232 012	30,381
Tax Anticipation Notes Payable	120 000	
Accrued Interest Payable	20,261	
Notes Payable - Current	11,885	43
Due to Primary Government (Note 6)		39 930
Unearned Revenue - Current	30,763	15,280
Current Portion of Long Term Liabilities (Note 9)	316,105	9,639
Other Liabilities - Current	29 971	19,683
Total Current Liabilities	811 053	167,670
NON CURRENT LIABILITIES		
Notes Payable		337
Serial Bonds Payable (Notes 9 and 10)	3,025,605	326,904
Deferred Bond Premium (Net of Amortization)	95,782	2,028
Accrued Vacation and Sick Pay (Note 9 and 15)	600,221	70,012
Estimated Workers' Compensation Liability (Notes 9 and 15)	88,917	
Estimated Tax Certiorari Payable (Notes 9 and 15)	81,000	
Estimated Liability for Litigation and Malpractice (Notes 9 and 15)	206,000	31,469
Capital Lease (Note 8)	5,567	
Other Liabilities - Non Current	82,648	
Deposits Held in Custody for Others		1,428
Insurance Reserve Liability		1,692
Total Non Current Liabilities	4,185,740	433,870
Total Liabilities	4,996,793	601,540
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,429,730	100,354
Restricted		
Special Revenue		2,368
Capital Projects	113,534	1,748
Debt Service		7,674
Student Loans		501
Unrestricted deficit	(2 973,679)	(133,423)
Total Net Assets (deficit)	$ (1,430,415)	$ (20,778)

See accompanying notes to financial statements

EXHIBIT X-2

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary Government:						
Legislative	$ 8,754	$ 18	$	$	$ (8,736)	$
Judicial	45,018	20,062	4,724		(20,232)	
General Government	587,841	71,494	30,358		(485,989)	
Protection of Persons	633,154	36,127	9,378		(587,649)	
Health	248,782	19,807	138,271		(90,704)	
Public Works	226,599	5,245	621	32,484	(188,249)	
Recreation and parks	45,687	17,458			(28,229)	
Social Services	490,302	20,364	179,355		(290,583)	
Corrections	225,334	4,822	20,247		(200,265)	
Education	10,545				(10,545)	
Debt Service Interest	160,847				(160,847)	
Total Primary Government	$ 2,682,863	$ 195,397	$ 382,954	$ 32,484	(2,072,028)	
Component Units	$ 743,251	$ 594,809	$ 129,760	$ 1,077		(17,605)
General Revenues:						
Taxes:						
Property Taxes					$ 883,637	
Sales Taxes					989,243	
Other Taxes					39,452	
Tobacco Settlement Revenue and Tobacco Receipts					53,661	
Investment Income					49,369	5,097
Other					22,532	4,585
Total General Revenues					2,037,894	9,682
Change in Net Assets					(34,134)	(7,923)
Net Assets (Deficit) - Beginning					(1,430,415)	(20,778)
Net Assets (Deficit) - Ending					$ (1,464,549)	$ (28,701)

See accompanying notes to financial statements.

EXHIBIT X-2

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Units
Primary Government						
Legislative	$ 8,321	$ 1	$	$	$ (8,320)	$
Judicial	42,533	18,065	5,399		(19,069)	
General Government	493,012	55,543	32,025		(405,444)	
Protection of Persons	638,393	31,406	18,056		(588,931)	
Health	239,111	28,209	107,583		(103,319)	
Public Works	228,119	5,975	933	27,269	(193,942)	
Recreation and parks	41,541	16,623			(24,918)	
Social Services	535,021	55,782	193,228		(286,011)	
Corrections	218,053	5,389	24,069		(188,595)	
Education	13,621				(13,621)	
Debt Service Interest	150,564				(150,564)	
Total Primary Government	$ 2,608,289	$ 216,993	$ 381,293	$ 27,269	(1,982,734)	
Component Units	$ 719,084	$ 574,046	$ 129,305	$ 1,091		(14,642)
General Revenues						
Taxes						
Property Taxes					$ 884,859	
Sales Taxes					952,675	
Other Taxes					40,870	
Tobacco Settlement Revenue and Tobacco Receipts					45,301	
Investment Income					36,622	2,670
Other					21,449	2,255
Total General Revenues					1,981,776	4,925
Change in Net Assets					(958)	(9,717)
Net Assets (Deficit) - Beginning					(1,429,457)	(11,061)
Net Assets (Deficit) - Ending					$ (1,430,415)	$ (20,778)

See accompanying notes to financial statements

EXHIBIT X-3

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2006 (Dollars in Thousands)

ASSETS	General	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Sewer and Storm Water District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash	$ 47,411	$ 633	$ 43	$ 3,221	$ 23,010	$ 9,262	$ 1,356	$ 93,331	$ 261,262	$ 439,529
Investments (Note 2)									84,186	84,186
Sales Tax Receivable		98,128								98,128
Interest Receivable		2							3,494	3,496
Due from Other Governments (Note 3)	163,845						502		13,256	177,603
Less Allowance for Doubtful Accounts	(1,752)									(1,752)
Accounts Receivable	19,661				917	873	1,674	555	3,994	27,674
Real Property Taxes Receivable	61,189									61,189
Less Allowance for Doubtful Accounts	(7,945)									(7,945)
Tax Sale Certificates (Note 5)	4,681									4,681
Tax Real Estate Held for Sale (Note 4)	6,578									6 578
Interfund Receivables (Note 6)	213,143		38,415	17	1,228	1,180	7,182	43,628	53,675	358,468
Prepaids	39,908			946		35,527	31,207	1,992	1,616	111 196
Due from Component Units (Note 6)	14,850								1,512	16,362
Other Assets	7,865	64		127	508	3,394	3,512	407	538	16,215
TOTAL ASSETS	$ 569,234	$ 98,827	$ 38,458	$ 4,311	$ 25,663	$ 50,236	$ 45,433	$ 139,913	$ 423,533	$ 1,395,608
LIABILITIES AND FUND EQUITY										
LIABILITIES:										
Accounts Payable	$ 48,621	$	$	$ 216	$ 485	$ 949	$ 406	$ 5 277	$ 14,479	$ 70 433
Accrued Liabilities	111,078	112		571	1 044	9,276	19,460	2,484	50,628	194,653
Tax Anticipation Notes Payable (Note 9)	150,000									150,000
Notes Payable									44,435	44,435
Unearned Revenue	26,144				18				27,307	53,469
Interfund Payables (Note 6)	62,226	98,127	38,458	3,635	20,424	22,827	34,435	4,486	73,850	358,468
Due to Component Units (Note 6)							14		1,638	1,652
Other Liabilities	29,012				210				88,552	117,774
Total Liabilities	427,081	98,239	38,458	4,422	22,181	33,052	64,315	12,247	300,889	990,884
FUND EQUITY										
Fund Balances										
Reserved for Retirement of Temporary Financing									25,961	25,961
Reserved for Encumbrances	56,324			109	3,717	2,845	3,081	6,388	250 025	322 489
Restricted - Senior Liquidity Reserve									24,009	24,009
Unreserved and Designated for Ensuing Year's Budget (Note 13)										
General	13,075									13,075
Unreserved nonmajor fund balances										
Special Revenue									(29 733)	(29 733)
Capital Projects									(149,672)	(149,672)
Debt Service									2,054	2,054
Unreserved *major* fund balances (Note 13)	72,754	588		(220)	(235)	14,339	(11,963)	121,278		196 541
Total Fund Equity	142,153	588		(111)	3,482	17,184	(8,882)	127,666	122,644	404,724
Commitments and Contingencies (Note 15)										
TOTAL LIABILITIES AND FUND EQUITY	$ 569,234	$ 98,827	$ 38,458	$ 4,311	$ 25,663	$ 50,236	$ 45 433	$ 139,913	$ 423,533	$ 1,395,608

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule

See accompanying notes to financial statements.

EXHIBIT X-3

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2005 (Dollars in Thousands)

ASSETS	General	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Sewer and Storm Water District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash	$ 123,367	$ 5,301	$ 6,381	$ 4,781	$ 27,118	$ 90	$ 266	$ 86,847	$ 383,982	$ 638,133
Investments (Note 2)									30,817	30,817
Sales Tax Receivable		97,031								97,031
Interest Receivable		9							2,157	2,166
Due from Other Governments (Note 3)	146,018						1,541		13,713	161,272
Less Allowance for Doubtful Accounts	(4,569)									(4,569)
Accounts Receivable	9,634				561	5	33	359	1,783	12,375
Real Property Taxes Receivable	57,522									57,522
Less Allowance for Doubtful Accounts	(8,832)									(8,832)
Tax Sale Certificates (Note 5)	4,400									4,400
Tax Real Estate Held for Sale (Note 4)	6,636									6,638
Interfund Receivables (Note 8)	126,385		33,469	13		8,459	12,461	994	195,619	377,400
Prepaids	29,736			765	1,337	25,597	19,001	1,675	1,890	80,001
Due from Component Units (Note 6)	45,471								1,214	46,685
Other Assets	7,023	31		116	461	3,158	3 146	375	10,933	25,243
TOTAL ASSETS	$ 542,793	$ 102,372	$ 39,850	$ 5,675	$ 29,477	$ 37,309	$ 36 448	$ 90,250	$ 642,108	$ 1,526,282
LIABILITIES AND FUND EQUITY										
LIABILITIES										
Accounts Payable	$ 32,456	$	$	$ 28	$ 304	$ 573	$ 572	$ 2,839	$ 13,284	$ 50,056
Accrued Liabilities	142,760	136	237	1,051	1,264	12,155	26,657	3,199	44,572	232,031
Tax Anticipation Notes Payable (Note 9)	120,000									120,000
Notes Payable									11,885	11,885
Unearned Revenue	28,795				18				24,538	53,351
Interfund Payables (Note 8)	37,195	101,589	39,613	2,329	26,899	22,995	15,190	21,219	110,371	377,400
Due to Component Units (Note 6)				2,284			46		7,347	9,677
Other Liabilities	28,044			16	159	436	435	62	83,477	112,619
Total Liabilities	389,250	101,725	39,850	5,708	28,644	36,159	42,900	27,309	295,474	967,019
FUND EQUITY ·										
Fund Balances										
Reserved for Retirement of Temporary Financing									7,816	7,816
Reserved for Encumbrances	65,052			261	1,012	1,349	3,252	10,854	228,761	310,541
Unreserved and Designated for Ensuing Year's Budget (Note 13)										
General	13,367									13,367
Special Revenue								52,087		52,087
Unreserved nonmajor fund balances										
Special Revenue									72,140	72,140
Capital Projects									33,923	33,923
Debt Service									3 994	3,994
Unreserved major fund balances (Note 13)	75,124	647		(294)	(179)	(199)	(9 704)			65,395
Total Fund Equity	153,543	647		(33)	833	1,150	(6,452)	62,941	346,634	559,263
Commitments and Contingencies (Note 15)										
TOTAL LIABILITIES AND FUND EQUITY	$ 542,793	$ 102,372	$ 39,850	$ 5 675	$ 29,477	$ 37,309	$ 36,448	$ 90,250	$ 642 108	$ 1,526,282

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the Statement of Net Assets is presented in an accompanying schedule

See accompanying notes to financial statements

EXHIBIT X-4

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006 (Dollars in Thousands)

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

Total fund balances - governmental funds	$	404,724
Revenue recorded in the statement of net assets is recorded as unearned revenue in the governmental funds		20,801
Premium on debt issued is recorded in the governmental funds as revenue In the statement of activities, the premium is amortized over the lives of the debt		(89,289)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net		2,332,821
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds		138,913
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds		
Bonds payable		(2,981,294)
Other long term liabilities		(954,131)
Current portion of long term liabilities and short term notes payable		(326,651)
Accrued expenses and interest payable		(10,443)
Net assets (deficit) of governmental activities	$	(1,464,549)

See accompanying notes to financial statements

EXHIBIT X-4

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2005 (Dollars in Thousands)

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

Total fund balances - governmental funds	$	559,263
Revenue recorded in the statement of net assets is recorded as unearned revenue in the governmental funds		22,588
Premium on debt issued is recorded in the governmental funds as revenue In the statement of activities, the premium is amortized over the lives of the debt		(95,782)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net		2,313,045
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		114,128
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds		
Bonds payable		(3,025,605)
Other long term liabilities		(981,705)
Current portion of long term liabilities and short term notes payable		(316,105)
Accrued expenses and interest payable		(20,242)
Net assets (deficit) of governmental activities	$	(1,430,415)

See accompanying notes to financial statements

EXHIBIT X-5

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

	General	NIFA General	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Sewer and Storm Water District Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES										
Interest and Penalties on Taxes	$ 22,532	$	$	$	$	$	$	$	$	$ 22,532
Licenses and Permits	7,756				5	1,828	936			10,525
Fines and Forfeits	22 921					80			2,559	25,560
Interest Income	12 101	1,751		39	156	1,510	435	6,741	17,532	40,265
Rents and Recoveries	39 038			744	1,011	472	2,351	80	169	43,865
Tobacco Settlement Revenue	23,000									23,000
Tobacco Proceeds	10 273									10,273
Tobacco Receipts									20,388	20,388
Departmental Revenue	45 358			4,911	15 824	3 411	16,807	1 484	2,470	90,265
Interdepartmental Revenue	124 681					314	10,225	258	710	136,188
Federal Aid	114,965						228		54,461	169,654
State Aid	186,732			205			862		55,639	243,438
Sales Tax	783 680	146,137								929,817
Preempted Sales Tax in Lieu of Property Taxes	59,426									59,426
Property Taxes	86,875			15,850	51,168	333 627	258,050	138,942		884,512
Payments in Lieu of Taxes	4 551									4,551
Special Taxes	10,805				1 064		23,032			34,901
Other Revenues	10 528		10 900	27	292	1 356	1 828	150	2 447	27 528
Total Revenues	1,565,222	147,888	10 900	21,776	69 520	342,598	314,754	147,655	156,375	2,776,688
EXPENDITURES										
Current										
Legislative	8,747									8,747
Judicial	41,733								1,725	43,458
General Administration	227,312	1,139							28 360	256,811
Protection of Persons	11,961			19,131		325,627	315,102		8 497	680,518
Health	215,413								42,580	257,993
Public Works	95,862							86 718	223	182,803
Recreation and Parks					55 919				458	56,377
Capital Outlay									125,298	125,298
Sewage Districts									8,949	8,949
Social Services	505,817								5,258	511,075
Corrections	217,820								2,596	220,416
Education	6,898									6,898
Payments for Tax Certiorari and Other Judgments	74,670									74,670
Other	125 336									125,336
Total Current	1 531 569	1 139		19,131	55,919	325,827	315 102	86,718	223,944	2,559,349
Debt Service										
Principal			114,845					31,479	94,015	240,339
Interest			30,370					11,005	118,643	160,018
Financing Costs			249						1,543	1,792
Total Debt Service			145,464					42 484	214,201	402,149
Total Expenditures	1,531,569	1 139	145,464	19,131	55,919	325,827	315,102	129,202	438,145	2,961,498
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	33 653	146,749	(134,564)	2 645	13,601	16 771	(348)	18,453	(281,770)	(184,810)
OTHER FINANCING SOURCES (USES):										
Other Financing Sources - EFC drawdowns									912	912
Other Financing Uses - Funding of Residual Trust									(140,265)	(140,265)
Deposited with Escrow Agent for Defeasance									(248,564)	(248,564)
Transfers In	197,098	5,437	279,692		7,077		1,429		149,675	640,408
Transfers In of Investment Income	4,139							799		4,938
Transfers Out	(258,190)	(145,568)	(145,128)	(2,723)	(18,029)	(737)	(3,511)	(11,085)	(55,437)	(640,408)
Transfers Out of Investment Income									(4,938)	(4,938)
Transfers In from NIFA	11,910								65,931	77,841
Transfers Out from NIFA		(6,677)							(71,164)	(77,841)
Transfers In from SFA								56,558	369,952	426,510
Transfers Out from SFA									(426,510)	(426 510)
Issuance of Debt									418,188	418,188
Total Other Financing Sources (Uses)	(45 043)	(146 808)	134,564	(2,723)	(10 952)	(737)	(2,082)	46,272	57,780	30 271
NET CHANGE IN FUND BALANCES	(11 390)	(59)		(78)	2,649	16 034	(2,430)	64,725	(223,990)	(154 539)
TOTAL FUND BALANCES AT BEGINNING OF YEAR	153,543	647		(33)	833	1,150	(6,452)	62,941	346,634	559 263
TOTAL FUND BALANCES AT END OF YEAR	$ 142,153	$ 588	$	$ (111)	$ 3,482	$ 17 184	$ (8,882)	$ 127,666	$ 122,644	$ 404 724

See accompanying notes to financial statements

EXHIBIT X 5

COUNTY OF NASSAU NEW YORK

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	General	NIFA General	Debt Service Fund	Fire Prevention Safety Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Pol ce Headquarters Fund	Sewer and Storm Water District Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES										
Interest and Penalties on Taxes	$ 21 369	$	$	$	$	$	$	$	$	$ 21 369
Gain on Investments									80	80
Licenses and Permits	7 558					1 508	389			9 455
Fines and Forfeits	21 135					102			1 478	22 715
Interest Income	8 286	1 142		47	431	113	134	2 730	17 305	30 188
Rents and Recoveries	29 272				1 000	95	397	32	185	30 981
Tobacco Settlement Revenue	23 017									23 017
Tobacco Rece pts									22 284	22 284
Departmental Revenue	87 270			4 422	15 080	3 101	15 350	1 508	2 219	128 950
Interdepartmental Revenue	121 599			95		188	7 824	62	725	130 513
Federal A d	114 046						473		50 982	165 501
State Aid	198 745			235		123	612		31 671	231 386
State Aid from NIFA									7 500	7 500
Sales Tax	765 485	129 622								895 107
Preempted Sales Tax n L eu of Property T xes	57 568									57 568
Property Taxes	119 973			15 444	48 294	309 307	252 898	138 943		884 859
Payments in Lieu of Taxes	4 298									4 298
Special Taxes	12 152				1 091		23 329			36 572
Other Revenues	16 148		8 682						4 236	29 066
Total Revenues	1 607 921	130 764	8 682	20 243	65 896	314 537	301 406	143 295	138 665	2 731 409
EXPENDITURES										
Current										
Legislat ve	8 325									8 325
Judicial	39 791								1 853	41 644
General Adm n strat on	230 902	1 136							29 238	261 276
Protect on of Persons	11 702			20 041		328 964	314 012		8 195	682 914
Health	197 873								45 706	243 579
Public Works	93 124							103 354		196 478
Recreation and Parks					50 704				636	51 340
Capital Outlay									103 055	103 055
Sewage Districts									5 369	5 369
Social Serv ces	537 107								6 063	543 170
Corrections	211 928								3 328	215 256
Education	6 740									6 740
Payments for Tax Certiorar and Other Judgments	260 207									260 207
Other	120 240		706							120 946
Total Current	1 717 939	1 136	706	20 041	50 704	328 964	314 012	103 354	203 443	2 740 299
Debt Serv ce										
Principal			140,280					28,215	57 906	226 401
Interest			36 002					12 423	94 744	143 169
Financing Costs			841						4 290	5 131
Total Debt Service			177,123					40 638	156 940	374 701
Total Expend tures	1 717 939	1 136	177 829	20 041	50 704	328 964	314 012	143 992	360 383	3 115 000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(110 018)	129 628	(169 147)	202	15 192	(14 427)	(12 606)	(697)	(221 718)	(383 591)
OTHER FINANCING SOURCES (USES)										
Other Financing Sources Prem um			1,287						15 965	17 252
Other Financing Sources EFC Drawdowns									550	550
Deposited with Escrow Agent for Defeasance									(130 798)	(130 798)
Transfers In	146 402		335 816		2 905		8 608		52 703	546 434
Transfers In of Investment Income	3 249							1 232		4 481
Transfers Out	(297 558)		(181 402)	(660)	(18 021)	(775)	(6 286)	(10 430)	(31 302)	(546 434)
Transfers Out of Investment Income									(4 481)	(4 481)
Transfers In from NIFA	5 783	13 179	441			7 500			197 515	224 418
Transfers Out from NIFA		(142 614)							(334 736)	(477 350)
Transfers In from SFA			3 005					40 410	69 156	112 571
Transfers Out from SFA									(112 571)	(112 571)
Issuance of Debt									392 070	392 070
Transfers from NIFA for Tax Ce Loran and Other Judgment Borrowings	252 932									252,932
Total Other Financing Sources (Uses)	110 808	(129 435)	159 147	(660)	(15 116)	6 725	2 322	31 212	114 071	279 074
NET CHANGE IN FUND BALANCES	790	193	(10,000)	(458)	76	(7 702)	(10 284)	30 515	(107 647)	(104 517)
TOTAL FUND BALANCES AT BEGINNING OF YEAR	152 753	454	10 000	425	757	8 852	3 832	32 426	454 281	663 780
TOTAL FUND BALANCES AT END OF YEAR	$ 153 543	$ 647	$	$ (33)	$ 833	$ 1 150	$ (6 452)	$ 62 941	$ 346 634	$ 559 263

See accompanying notes to f nancial statements

EXHIBIT X-6

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds			$	(154,539)
Governmental funds report capital outlays as expenditures However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense This is the amount by which depreciation exceeded capital outlays in the current period				
Purchase of capital assets	$	174,972		
Depreciation expense		(110,426)		
Other		(44,767)		19,779
The issuance of long-term debt (e g , bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds Neither transaction, however, has any effect on net assets Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities This amount is the net effect of these differences in the treatment of long-term debt and related items				
Proceeds from sales of bonds		(125,673)		
Principal payments of bonds		197,909		
Accrued interest payable		7,173		
Amortized debt issuance costs		(8,451)		
Amortized deferred liabilities		6,493		
Payment of component unit debt costs		(3,648)		
Adjust long-term liabilities		25,986		
Other		837		100,626
Change in net assets - governmental activities			$	(34,134)

See accompanying notes to financial statements

EXHIBIT X-6

COUNTY OF NASSAU, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds		$ (104 517)
Governmental funds report capital outlays as expenditures However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense This is the amount by which depreciation exceeded capital outlays in the current period		
Purchase of capital assets	$ 156,853	
Depreciation expense	(105,429)	
Other	(60 422)	(8,998)
The issuance of long-term debt (e g , bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds Neither transaction, however, has any effect on net assets Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities This amount is the net effect of these differences in the treatment of long-term debt and related items		
Proceeds from sales of bonds	(392,070)	
Principal payments of bonds	357,198	
Accrued interest payable	221	
Amortized debt issuance costs	(2,644)	
Payment of component unit debt costs	(5,296)	
Adjust long-term liabilities	155,679	
Other	(531)	112,557
Change in net assets - governmental activities		$ (958)

See accompanying notes to financial statements

EXHIBIT X-7

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Interest and Penalties on Taxes	$ 24,000	$ 24,000	$ 22,532	$	$ 22,532	$ (1 468)
Licenses and Permits	9,987	9,987	7,756		7,756	(2,231)
Fines and Forfeits	22,584	22,584	22,921		22,921	337
Interest Income	13,474	16,249	12,101		12,101	(4,148)
Rents and Recoveries	29,185	29,186	39,038		39,038	9,852
Tobacco Settlement Revenue	23,000	23,000	23,000		23,000	
Tobacco Proceeds		10,273	10,273		10,273	
Departmental Revenue	84,256	84,256	45,358		45,358	(38,898)
Interdepartmental Revenue	131,845	132,184	124,681		124,681	(7,503)
Federal Aid	114,787	115,156	114,965		114,965	(191)
State Aid	170,520	172,334	186,732		186,732	14,398
Sales Tax	936,369	936,369	783,680		783,680	(152,689)
Preempted Sales Tax in Lieu of Property Taxes	65,421	65,421	59,426		59,426	(5,995)
Property Taxes	80,016	80,016	86,875		86,875	6,859
Payments in Lieu of Taxes	4,500	4,500	4,551		4,551	51
Special Taxes	11,060	11,060	10,805		10,805	(255)
Other Revenues	15,763	16,663	10,528	(3,445)	7,083	(9 580)
Total Revenues	1,736,767	1,753,238	1,565,222	(3,445)	1,561,777	(191,461)
Expenditures:						
Current:						
Legislative	9,671	9,801	8,747	355	9,102	699
Judicial	42,897	43,038	41,733	349	42,082	956
General Administration	246,156	247,804	227,312	14,026	241,338	6,466
Protection of Persons	13,000	13,009	11,961	36	11,997	1,012
Health	221,539	235,684	215,413	12,844	228,257	7,427
Public Works	102,825	103,546	95,862	4,546	100,408	3,138
Social Services	579,397	548,172	505,817	18,950	524,767	23,405
Corrections	220,480	228,794	217,820	2,711	220,531	8,263
Education	5,999	6,899	6,898		6,898	1
Payments for Tax Certiorari and Other Judgments		19,562	74,670	(55,108)	19,562	
Other	124,662	125,426	125,336	(2,828)	122,508	2,918
Total Expenditures	1,566,626	1,581,735	1,531,569	(4,119)	1,527,450	54,285
Excess (Deficiency) of Revenues Over (Under) Expenditures	170,141	171,503	33,653	674	34,327	(137,176)
Other Financing Sources (Uses):						
Transfers In			197,098	(50,000)	147,098	147,098
Transfers In of Investment Income			4,139		4,139	4,139
Transfers Out	(257,717)	(259,079)	(258,190)		(258,190)	889
Transfer In from NIFA			6,896		6,896	6,896
Transfer In from NIFA Tax Certiorari and Other Judgment Borrowings			5,014	(5,014)		
Total Other Financing Sources (Uses)	(257,717)	(259,079)	(45,043)	(55,014)	(100,057)	159,022
Net Change in Fund Balance	(87,576)	(87,576)	(11,390)	(54,340)	(65,730)	21,846
Fund Balances at Beginning of Year	87,576	87,576	153,543		153,543	65,967
Fund Balances at End of Year	$	$	$ 142,153	$ (54,340)	$ 87,813	$ 87,813

See accompanying notes to financial statements

EXHIBIT X-7

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Interest and Penalties on Taxes	$ 24,180	$ 24 180	$ 21,369	$	$ 21,369	$ (2,811)
Licenses and Permits	6,915	6 915	7,558		7,558	643
Fines and Forfeits	16,817	16 817	21,135		21,135	4,318
Interest Income	9,000	11,000	8,286		8,286	(2,714)
Rents and Recoveries	26,519	26,779	29,272		29,272	2,493
Tobacco Settlement Revenue	23,175	23,175	23,017		23,017	(158)
Departmental Revenue	82,741	84,925	87,270		87,270	2,345
Interdepartmental Revenue	141,466	156,501	121,599		121,599	(34,902)
Federal Aid	123,092	123,184	114,046		114,046	(9,138)
State Aid	226,352	235,784	198,745		198,745	(37,039)
Sales Tax	907,089	907 089	765,485		765,485	(141,604)
Preempted Sales Tax in Lieu of Property Taxes	57,568	57 568	57,568		57,568	
Property Taxes	112,770	115,097	119,973		119,973	4,876
Payments in Lieu of Taxes	4,500	4,500	4,298		4,298	(202)
Special Taxes	12,870	12,870	12,152		12,152	(718)
Other Revenues	12,068	12 560	16,148		16,148	3,588
Total Revenues	1 787,122	1,818,944	1,607,921		1,607,921	(211,023)
Expenditures:						
Current:						
Legislative	11,137	10,883	8,325	328	8,653	2,230
Judicial	46,253	43,954	39,791	230	40,021	3,933
General Administration	265,995	268,875	230,902	17,420	248,322	20,553
Protection of Persons	14,751	15,318	11,702	75	11,777	3,541
Health	211,742	224,480	197,873	10,548	208,421	16,059
Public Works	100,779	101,023	93,124	5,763	98,887	2,136
Recreation and Parks	5	5				5
Social Services	619,511	575,082	537,107	25,714	562,821	12,261
Corrections	226,593	218,492	211,928	1,297	213,225	5,267
Education	6,518	6,943	6,740	90	6,830	113
Payments for Tax Certiorari and Other Judgments			260,207	(260,207)		
Other	104,835	131,689	120,240	6,491	126,731	4,958
Total Expenditures	1 608,119	1,596,744	1,717,939	(192,251)	1,525,688	71,056
Excess (Deficiency) of Revenues Over (Under) Expenditures	179,003	222,200	(110,018)	192,251	82,233	(139,967)
Other Financing Sources (Uses):						
Transfers In			146,402		146,402	146,402
Transfers In of Investment Income			3,249		3,249	3,249
Transfers Out	(252,177)	(297,558)	(297,558)		(297,558)	
Transfer In from NIFA			5,783		5,783	5,783
Transfer In from NIFA Tax Certiorari and Other Judgment Borrowings			252,932	(260,207)	(7,275)	(7,275)
Total Other Financing Sources (Uses)	(252,177)	(297,558)	110,808	(260,207)	(149,399)	148,159
Net Change in Fund Balance	(73,174)	(75,358)	790	(67,956)	(67,166)	8,192
Fund Balances at Beginning of Year	73,174	75,358	152,753		152,753	77,395
Fund Balances at End of Year	$	$	$ 153,543	$ (67,956)	$ 85,587	$ 85,587

See accompanying notes to financial statements

EXHIBIT X-8

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
FIRE PREVENTION, SAFETY, COMMUNICATION AND EDUCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$	$ 753	$ 744	$	$ 744	$ (9)
Interest Income	45	45	39		39	(6)
Departmental Revenue	4,237	4,765	4,911		4,911	146
Interdepartmental Revenue	108	108				(108)
State Aid	120	190	205		205	15
Property Taxes	15,850	15,850	15,850		15,850	
Other Revenues	47	47	27	(27)		(47)
Total Revenues	20,407	21,758	21,776	(27)	21,749	(9)
Expenditures.						
Current						
Protection of Persons	19,899	19,296	19,131	(138)	18,993	303
Total Expenditures	19,899	19,296	19,131	(138)	18,993	303
Excess (Deficiency) of Revenues Over (Under) Expenditures	508	2,462	2,645	111	2,756	294
Other Financing Uses:						
Transfers Out	(768)	(2,723)	(2,723)		(2,723)	
Total Other Financing Sources (Uses)	(768)	(2,723)	(2,723)		(2,723)	
Net Change in Fund Balance	(260)	(261)	(78)	111	33	294
Fund Balances at Beginning of Year	260	261	(33)		(33)	(294)
Fund Balances at End of Year	$	$	$ (111)	$ 111	$	$

See accompanying notes to financial statements

EXHIBIT X-8

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
FIRE PREVENTION, SAFETY, COMMUNICATION AND EDUCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues						
Interest Income	$	$	$ 47	$	$ 47	$ 47
Departmental Revenue	3,850	4,100	4 422		4,422	322
Interdepartmental Revenue			95		95	95
State Aid	100	200	235		235	35
Property Taxes	15 444	15,444	15,444		15,444	
Total Revenues	19,394	19 744	20,243		20,243	499
Expenditures						
Current						
Protection of Persons	18,953	20,088	20,041	(33)	20,008	80
Total Expenditures	18,953	20,088	20,041	(33)	20 008	80
Excess (Deficiency) of Revenues Over (Under) Expenditures	441	(344)	202	33	235	579
Other Financing Uses:						
Transfers In		250				(250)
Transfers Out	(866)	(660)	(660)		(660)	
Total Other Financing Sources (Uses)	(866)	(410)	(660)		(660)	(250)
Net Change in Fund Balance	(425)	(754)	(458)	33	(425)	329
Fund Balances at Beginning of Year	425	754	425		425	(329)
Fund Balances at End of Year	$	$	$ (33)	$ 33	$	$

See accompanying notes to financial statements

EXHIBIT X-9

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
COUNTY PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues.						
Rents and Recoveries	$ 1 416	$ 1 416	$ 1 011	$	$ 1 011	$ (405)
Licenses and Permits			5		5	5
Interest Income	250	250	156		156	(94)
Departmental Revenue	17 107	17,118	15 824		15 824	(1 294)
Property Taxes	51 168	51 168	51 168		51 168	
Special Taxes	975	975	1 064		1 064	89
Other Revenues	511		292	(292)		
Total Revenues	71 427	70 927	69 520	(292)	69 228	(1 699)
Expenditures						
Current						
Recreation and Parks	59 705	59 422	55 919	3 190	59 109	313
Total Expenditures	59 705	59 422	55 919	3 190	59 109	313
Excess (Deficiency) of Revenues Over (Under) Expenditures	11 722	11 505	13 601	(3 482)	10 119	(1 386)
Other Financing Sources (Uses)						
Transfers In		5 000	7 077		7 077	2,077
Transfers Out	(17 736)	(18 029)	(18 029)		(18 029)	
Total Other Financing Uses	(17 736)	(13 029)	(10 952)		(10 952)	2,077
Net Change in Fund Balance	(6 014)	(1 524)	2 649	(3 482)	(833)	691
Fund Balances at Beginning of Year	6 014	1 524	833		833	(691)
Fund Balances at End of Year	$	$	$ 3 482	$ (3 482)	$	$

See accompanying notes to financial statements

EXHIBIT X-9

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
COUNTY PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 1,490	$ 1 490	$ 1,000	$	$ 1 000	$ (490)
Interest Income	45	45	431		431	386
Departmental Revenue	20,350	20,350	15 080		15 080	(5,270)
Property Taxes	48,294	48,294	48,294		48 294	
Special Taxes	1,225	1 225	1 091		1 091	(134)
Total Revenues	71,404	71,404	65 896		65 896	(5,508)
Expenditures:						
Current						
Recreation and Parks	53 812	53 812	50 704	833	51,537	2,275
Total Expenditures	53,812	53,812	50 704	833	51 537	2,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,592	17,592	15 192	(833)	14,359	(3,233)
Other Financing Sources (Uses):						
Transfers In			2,905		2,905	2,905
Transfers Out	(18,349)	(18,349)	(18,021)		(18,021)	328
Total Other Financing Uses	(18,349)	(18,349)	(15,116)		(15,116)	3,233
Net Change in Fund Balance	(757)	(757)	76	(833)	(757)	
Fund Balances at Beginning of Year	757	757	757		757	
Fund Balances at End of Year	$	$	$ 833	$ (833)	$	$

See accompanying notes to financial statements

EXHIBIT X-10

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 150	$ 150	$ 472	$	$ 472	$ 322
Licenses and Permits	1,680	1,680	1,828		1,828	148
Fines and Forfeits	100	100	80		80	(20)
Interest Income	113	113	1,510		1,510	1,397
Departmental Revenue	3,166	3,166	3,411		3,411	245
Interdepartmental Revenue	936	936	314		314	(622)
Property Taxes	333,627	333,627	333,627		333,627	
Other Revenue	1,468	1,468	1,356	(1,356)		(1,468)
Total Revenues	341,240	341,240	342,598	(1,356)	341,242	2
Expenditures:						
Current:						
Protection of Persons	335,302	335,302	325,827	(316)	325,511	9,791
Total Expenditures	335,302	335,302	325,827	(316)	325,511	9,791
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,938	5,938	16,771	(1,040)	15,731	9,793
Other Financing Sources (Uses):						
Transfer Out	(7,301)	(7,301)	(737)		(737)	6,564
Total Other Financing Sources (Uses)	(7,301)	(7,301)	(737)		(737)	6,564
Net Change in Fund Balance	(1,363)	(1,363)	16,034	(1,040)	14,994	16,357
Fund Balances at Beginning of Year	1,363	1,363	1,150		1,150	(213)
Fund Balances at End of Year	$	$	$ 17,184	$ (1,040)	$ 16,144	$ 16,144

See accompanying notes to financial statements

EXHIBIT X-10

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 150	$ 150	$ 95	$	$ 95	$ (55)
Licenses and Permits	1,800	1,800	1,508		1,508	(292)
Fines and Forfeits	200	200	102		102	(98)
Interest Income	65	65	113		113	48
Departmental Revenue	3,167	3,167	3,101		3,101	(66)
Interdepartmental Revenue	901	901	188		188	(713)
Federal Aid		21				(21)
State Aid		87	123		123	36
Property Taxes	309,307	309,307	309,307		309,307	
Total Revenues	315,590	315,698	314,537		314,537	(1,161)
Expenditures:						
Current						
Protection of Persons	321,241	325,419	328,964	(3,707)	325,257	162
Total Expenditures	321,241	325,419	328,964	(3,707)	325,257	162
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,651)	(9,721)	(14,427)	3,707	(10,720)	(999)
Other Financing Sources (Uses):						
Transfers In from NIFA		4,000	7,500		7,500	3,500
Transfer Out	(845)	(775)	(775)		(775)	
Total Other Financing Sources (Uses)	(845)	3,225	6,725		6,725	3,500
Net Change in Fund Balance	(6,496)	(6,496)	(7,702)	3,707	(3,995)	2,501
Fund Balances at Beginning of Year	6,496	6,496	8,852		8,852	2,356
Fund Balances at End of Year	$	$	$ 1,150	$ 3,707	$ 4,857	$ 4,857

See accompanying notes to financial statements

EXHIBIT X-11

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE HEADQUARTERS FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Licenses and Permits	$ 800	$ 800	$ 936	$	$ 936	$ 136
Rents and Recoveries	200	2,449	2,351		2,351	(98)
Interest Income	121	121	435		435	314
Departmental Revenue	14,879	14,879	16,807		16,807	1,928
Interdepartmental Revenue	13,977	13,977	10,225		10,225	(3,752)
Federal Aid	330	330	228		228	(102)
State Aid	589	589	862		862	273
Property Taxes	258,050	258,050	258,050		258,050	
Special Taxes	23,453	23,453	23,032		23,032	(421)
Other Revenues			1,828	(1,828)		
Total Revenues	312,399	314,648	314,754	(1,828)	312,926	(1,722)
Expenditures:						
Current						
Protection of Persons	115,919	316,464	315,102	(10,710)	304,392	12,072
Total Expenditures	115,919	316,464	315,102	(10,710)	304,392	12,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	196,480	(1,816)	(348)	8,882	8,534	10,350
Other Financing Sources (Uses):						
Transfers In			1,429		1,429	1,429
Transfers Out	(3,134)	(3,511)	(3,511)		(3,511)	
Total Other Financing Sources (Uses)	(3,134)	(3,511)	(2,082)		(2,082)	1,429
Net Change in Fund Balance	193,346	(5,327)	(2,430)	8,882	6,452	11,779
Fund Balances at Beginning of Year	(193,346)	5,327	(6,452)		(6,452)	(11,779)
Fund Balances at End of Year	$	$	$ (8,882)	$ 8,882	$	$

See accompanying notes to financial statements

EXHIBIT X-11

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE HEADQUARTERS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Licenses and Permits	$ 325	$ 325	$ 389	$	$ 389	$ 64
Rents and Recoveries	200	200	397		397	197
Interest Income	86	86	134		134	48
Departmental Revenue	13,679	14,679	15,350		15,350	671
Interdepartmental Revenue	10,665	10,665	7,824		7,824	(2,841)
Federal Aid	334	334	473		473	139
State Aid	589	589	612		612	23
Property Taxes	252,898	252,898	252,898		252,898	
Special Taxes	22,454	23,454	23,329		23,329	(125)
Total Revenues	301,230	303,230	301,406		301,406	(1,824)
Expenditures						
Current						
Protection of Persons	299,844	308,061	314,012	(6,452)	307,560	501
Total Expenditures	299 844	308,061	314,012	(6,452)	307,560	501
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,386	(4 831)	(12,606)	6 452	(6,154)	(1,323)
Other Financing Sources (Uses):						
Transfers In		7,285	8,608		8,608	1,323
Transfers Out	(5,218)	(6,286)	(6,286)		(6,286)	
Total Other Financing Sources (Uses)	(5,218)	999	2,322		2,322	1,323
Net Change in Fund Balance	(3,832)	(3,832)	(10,284)	6,452	(3,832)	
Fund Balances at Beginning of Year	3,832	3,832	3 832		3,832	
Fund Balances at End of Year	$	$	$ (6 452)	$ 6,452	$	$

See accompanying notes to financial statements.

COUNTY OF NASSAU, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TOTAL BUDGETARY AUTHORITY AND ACTUAL
SEWER & STORM WATER DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 325	$ 325	$ 80	$	$ 80	$ (245)
Interest Income	750	750	6,741		6,741	5,991
Departmental Revenue	1,788	1,788	1,484		1,484	(304)
Interdepartmental Revenue	452	452	258		258	(194)
Interfund Revenues	24,813	24,813				(24,813)
Property Taxes	138,932	138,932	138,942		138,942	10
Other Revenues			150	(150)		
Total Revenues	167,060	167,060	147,655	(150)	147,505	(19,555)
Expenditures:						
Current						
Public Works	241,995	241,995	129,202	5,834	135,036	106,959
Total Expenditures	241,995	241,995	129,202	5,834	135,036	106,959
Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,935)	(74,935)	18,453	(5,984)	12,469	87,404
Other Financing Sources (Uses):						
Transfer In of Investment Income	500	500	799		799	299
Transfer Out	(5,587)		(11,085)		(11,085)	(11,085)
Transfer In from SFA			56,558		56,558	56,558
Total Other Financing Sources (Uses)	(5,087)	500	46,272		46,272	45,772
Net Change in Fund Balances	(80,022)	(74,435)	64,725	(5,984)	58,741	133,176
Fund Balance Beginning of Year	80,022	74,435	62,941		62,941	(11,494)
Fund Balance End of Year	$	$	$ 127,666	$ (5,984)	$ 121,682	$ 121,682

See accompanying notes to financial statements

EXHIBIT X-12

COUNTY OF NASSAU, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TOTAL BUDGETARY AUTHORITY AND ACTUAL
SEWER & STORM WATER DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	$ 632	$ 632	$ 32	$	$ 32	$ (600)
Interest Income	500	500	2,730		2,730	2,230
Departmental Revenue	1,255	1,255	1,508		1,508	253
Interdepartmental Revenue	349	349	82		82	(267)
Interfund Revenues	111,651	111,651				(111,651)
Property Taxes			138,943		138,943	138,943
Total Revenues	114,387	114,387	143,295		143,295	28,908
Expenditures:						
Current:						
Public Works	148,609	162,358	143,992	9,859	153,851	8,507
Total Expenditures	148,609	162,358	143,992	9,859	153,851	8,507
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,222)	(47,971)	(697)	(9,859)	(10,556)	37,415
Other Financing Sources (Uses):						
Transfer In of Investment Income	250	250	1,232		1,232	982
Transfer Out		(10,430)	(10,430)		(10,430)	
Transfer In from SFA	13,894	31,591	40,410		40,410	8,819
Total Other Financing Sources (Uses)	14,144	21,411	31,212		31,212	9,801
Net Change in Fund Balances	(20,078)	(26,560)	30,515	(9,859)	20,656	47,216
Fund Balance Beginning of Year	20,078	26,560	32,426		32,426	5,866
Fund Balance End of Year	$	$	$ 62,941	$ (9,859)	$ 53,082	$ 53,082

See accompanying notes to financial statements.

EXHIBIT X-13

COUNTY OF NASSAU, NEW YORK

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2006 (Dollars in Thousands)

AGENCY FUND

		Balance December 31, 2006
ASSETS:		
Cash	$	225,757
TOTAL ASSETS	$	225,757
LIABILITIES:		
Accounts Payable	$	3,725
Due to Component Unit		1,155
Other Liabilities		220,877
TOTAL LIABILITIES	$	225,757

See accompanying notes to financial statements.

EXHIBIT X-13

COUNTY OF NASSAU, NEW YORK

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2005 (Dollars in Thousands)

AGENCY FUND

	Balance December 31, 2005
ASSETS:	
Cash	$ 93,072
Due From Component Unit	82
TOTAL ASSETS	$ 93,154
LIABILITIES:	
Accounts Payable	$ 3,776
Other Liabilities	89,378
TOTAL LIABILITIES	$ 93,154

See accompanying notes to financial statements.

EXHIBIT X-14

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2006)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 39,209	$ 22,875	$ 11,694	$ 3,392	$ 77,170
Assets Whose Use Is Limited - Current		15,137			15,137
Student Accounts and Loans Receivable	5,970				5,970
Less Allowance for Doubtful Amounts	(2,267)				(2 287)
Due from Other Governments	5,786				5,786
Due from Primary Government		3			3
Other Receivables	108	6 454		6	6,568
Accounts Receivable		265,815	447	34	266,296
Less Allowance for Doubtful Amounts		(167,903)			(167,903)
Inventories		4 652			4,652
Other Assets - Current	872	15,839	868	7	17,586
Total Current Assets	49,658	162 872	13 009	3,439	228,978
NON CURRENT ASSETS					
Deferred Financing Costs	3,186	4,807	532		8,525
Less Accumulated Amortization	(1,421)	(719)	(53)		(2,193)
Assets Whose Use Is Limited		35 582			35,582
Capital Assets Not Being Depreciated	3,632	12 498	1,387		17,517
Depreciable Capital Assets	200,001	389,500	36,926	69	626,496
Less Accumulated Depreciation	(94,997)	(294,682)	(13,355)	(49)	(403,083)
Leasehold Acquisition Costs			1,020		1,020
Less Accumulated Amortization			(1,020)		(1,020)
Deposits Held by Trustees	7,669				7,669
Deposits Held in Custody for Others	1,496				1,496
Other Assets		7 442			7,442
Total Non Current Assets	119,566	154,428	25 437	20	299 451
Total Assets	169,224	317,300	38,446	3 459	528 429
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	6,507	31,704	1 599	102	39,912
Accrued Liabilities		14,935	5,084		20,019
Interest Payable		1,459			1,459
Notes Payable - Current			46		46
Due To Primary Government	6,071		925		6,996
Unearned Revenue	16,171			79	16 250
Current Portion of Long Term Liabilities	4,205	2,380	1,455		8,040
Other Liabilities	641	14,832	1,886		17 359
Total Current Liabilities	33,595	65,310	10,995	181	110,081
NON CURRENT LIABILITIES					
Notes Payable			291		291
Serial Bonds Payable	37,825	264,802	18,900		321,527
Accrued Vacation and Sick Pay	44,715	30,348		37	75,100
Estimated Liability for Litigation	2,500	39,736			42,236
Deposits Held in Custody for Others	1,496				1,496
Insurance Reserve Liability	1,775				1 775
Deferred Bond Premium Net of Amortization	2,426				2 426
Other Liabilities		2,198			2 198
Total Non Current Liabilities	90,737	337,084	19,191	37	447,049
Total Liabilities	124,332	402,394	30,186	218	557,130
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	66,457	25,316	6,077	20	97,870
Restricted					
Special Revenue	2,006				2,006
Capital Projects	1 397				1,397
Debt Service	7 669		2,183		9,852
Student Loans	502				502
Unrestricted (deficit)	(33,139)	(110,410)		3,221	(140 328)
Total Net Assets (deficit)	$ 44,892	$ (85 094)	$ 8,260	$ 3,241	$ (28,701)

See accompanying notes to financial statements

EXHIBIT X-14

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2005 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2005)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp	Nassau County Industrial Development Agency	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 39,807	$ 12,944	$ 11 738	$ 2,314	$ 66,803
Assets Whose Use Is Limited - Current		24,723			24,723
Student Accounts and Loans Receivable	5 490				5,490
Less Allowance for Doubtful Amounts	(1,872)				(1,872)
Due from Other Governments	2 921	48,867			51,788
Other Receivables	95	17,635		10	17,740
Accounts Receivable		246,123	602	28	246,753
Less Allowance for Doubtful Amounts		(153,860)			(153,860)
Inventories		4,862			4,862
Other Assets - Current	1,269	11,101	268	7	12,645
Total Current Assets	47,710	212,395	12 608	2 359	275,072
NON CURRENT ASSETS:					
Deferred Financing Costs	3,011	4,806	532		8,349
Less Accumulated Amortization	(1,179)	(423)	(18)		(1,620)
Assets Whose Use Is Limited		38,410			38,410
Capital Assets Not Being Depreciated	3,631	13,278	2,328		19,237
Depreciable Capital Assets	199,112	374 862	35,018	67	609,059
Less Accumulated Depreciation	(90,656)	(279,133)	(11,179)	(41)	(381,009)
Leasehold Acquisition Costs			1,020		1,020
Less Accumulated Amortization			(952)		(952)
Deposits Held by Trustees	6,945				6,945
Deposits Held in Custody for Others	1,428				1,428
Other Assets		4,823			4,823
Total Non Current Assets	122,292	156,623	26,749	26	305,690
Total Assets	170,002	369 018	39,357	2,385	580,762
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	8,002	42,473	2,232	7	52,714
Accrued Liabilities		27,574	2,807		30,381
Notes Payable - Current			43		43
Due To Primary Government	4,923	34 532	475		39,930
Unearned Revenue	15,217			63	15,280
Current Portion of Long Term Liabilities	3,715	2,370	3,554		9,639
Other Liabilities	979	16 805	1,899		19,683
Total Current Liabilities	32,836	123,754	11,010	70	167,670
NON CURRENT LIABILITIES					
Notes Payable			337		337
Serial Bonds Payable	41,500	265,049	20,355		326,904
Accrued Vacation and Sick Pay	41,551	28,430		31	70,012
Estimated Liability for Litigation	2,500	28,969			31,469
Deposits Held in Custody for Others	1,428				1,428
Insurance Reserve Liability	1,692				1,692
Deferred Bond Premium Net of Amortization	2,028				2,028
Total Non Current Liabilities	90,699	322,448	20 692	31	433,870
Total Liabilities	123,535	446,202	31,702	101	601,540
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	66 710	26,691	6 927	26	100,354
Restricted					
Special Revenue	2,368				2,368
Capital Projects	1,748				1,748
Debt Service	6,946		728		7,674
Student Loans	501				501
Unrestricted (deficit)	(31,806)	(103,875)		2,258	(133 423)
Total Net Assets (deficit)	$ 46,467	$ (77,184)	$ 7,655	$ 2,284	$ (20,778)

See accompanying notes to financial statements

EXHIBIT X-15

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY
FOR THE YEAR ENDED DECEMBER 31, 2006 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2006)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
Expenses	$ 183,498	$ 483,117	$ 76,076	$ 560	$ 743,251
Program Revenues:					
Charges for Services	51,182	470,102	72,139	1,386	594,809
Operating Grants and Contributions	129,760				129,760
Capital Grants and Contributions			1,077		1,077
Total Program Revenues	180,942	470,102	73,216	1,386	725,646
Net (Expenses) Program Revenues	(2,556)	(13,015)	(2,860)	826	(17,605)
General Revenues (Expenses):					
Investment Income	496	3,960	510	131	5,097
Other	485	1,145	2,955		4,585
Net General Revenues (Expenses)	981	5,105	3,465	131	9,682
Change in Net Assets	(1,575)	(7,910)	605	957	(7,923)
Net Assets - Beginning of Year	46,467	(77,184)	7,655	2,284	(20,778)
Net Assets - End of Year	$ 44,892	$ (85,094)	$ 8,260	$ 3,241	$ (28,701)

See accompanying notes to financial statements

EXHIBIT X-15

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY
FOR THE YEAR ENDED DECEMBER 31, 2005 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2005)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
Expenses	$ 173,936	$ 467,226	$ 77,502	$ 420	$ 719,084
Program Revenues:					
Charges for Services	46,689	453,829	72,182	1,346	574,046
Operating Grants and Contributions	129,305				129,305
Capital Grants and Contributions			1,091		1,091
Total Program Revenues	175,994	453,829	73,273	1 346	704 442
Net (Expenses) Program Revenues	2,058	(13,397)	(4,229)	926	(14,642)
General Revenues (Expenses):					
Investment Income	248	2,078	299	45	2,670
Other	33	(894)	3,116		2,255
Net General Revenues (Expenses)	281	1,184	3,415	45	4,925
Change in Net Assets	2,339	(12,213)	(814)	971	(9,717)
Net Assets - Beginning of Year	44,128	(64,971)	8,469	1,313	(11,061)
Net Assets - End of Year	$ 46,467	$ (77,184)	$ 7,655	$ 2,284	$ (20,778)

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The County of Nassau (the "County"), incorporated in 1899, contains three towns, two cities and 64 incorporated villages In conformance with the Governmental Accounting Standards Board ("GASB") Statement No 14, *The Financial Reporting Entity,* these financial statements present the County (the primary government) which includes all funds, elected offices, departments and agencies of the County, as well as boards and commissions, since the County is financially accountable for these and its legally separate component units A primary government is financially accountable for a component unit if its officials appoint a voting majority of the organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or the organization is fiscally dependent upon the primary government as defined by GASB No 14. The Nassau County Interim Finance Authority (NIFA) is included, because exclusion would be misleading. The County continuously assesses the need to include various organizations within the County whose status as a component unit may change due to financial dependence, legislative developments or level of influence the County may exercise over such entity

Discretely Presented Component Units - Financial data of the County's component units that are not part of the primary government is reported in the component unit's column in the government-wide financial statements, to emphasize that these component units are legally separate from the County They include the following·

(a) The Nassau Community College (the "College") provides educational services under New York State Education Law. It is reported as a component unit - governmental as the County appoints its governing body, the County approves its budget, issues debt for College purposes and provides approximately 27% of the College's revenues through a Countywide real property tax levy The College has authority to enter into contracts under New York State Education Law and to sue and be sued *The College is presented in accordance with policies prescribed by the Governmental Accounting Standards Board ("GASB") Statement No 35, Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities*, and in accordance with the New York State Education Law Therefore, the College is discretely presented This component unit is presented as of and for its fiscal years ended August 31, 2006 and 2005

Financial Reporting Entity – GASB Statement No 39, an amendment of GASB Statement No 14, was issued and became effective for the year ended August 31, 2006 This statement provided additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government As a result of this statement, the College's financial statements include two component units as of August 31, 2006 and 2005.

These financial statements present the College (the primary government) and its component units, the Nassau Community College Foundation, Inc. and the Faculty-Student Association of Nassau Community College, Inc. As defined in GASB Statement No. 39, component units are legally separate entities that are included in the College's reporting entity because of the significance of their operating or financial relationships with the College. The College has elected to include the financial statements of the component units, even though the amounts reported in the component units' financial statements are not significant to the reporting entity

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)
Each component unit is reported separately to emphasize that they are legally separate from the primary government. Each of the College's discretely presented component units has a fiscal year end of August 31st, the same as that of the College.

(b) *Nassau Health Care Corporation* (the "NHCC") is a public benefit corporation created in 1997 by an act of the New York State Legislature for the purpose of acquiring and operating the health facilities of Nassau County, State of New York Effective September 29, 1999 (the "Transfer Date"), a transaction was executed which transferred ownership of the County health facilities to the NHCC Concurrent with the transaction, $259.7 million of Nassau Health Care Corporation Health System Revenue Bonds, Series 1999 were issued. During 2004, $303,355,000 of Nassau Health Care Corporation Bonds, Series 2005 were issued to refund the Corporation's Revenue Bond Series 1999, fund certain capital projects and provide working capital. The bonds are insured and guaranteed by the County. NHCC is fiscally dependent on the County should certain NHCC debt service reserve funds fall below their requirements. NHCC is considered to be a component unit of the County and is presented as a proprietary type component unit on the accrual basis of accounting. The Corporation accounts for its investment in the limited liability company using the equity method.

The Board of the NHCC consists of fifteen voting and three nonvoting Directors. Eight voting Directors are appointed by the Governor, four by the County Legislature and three by the County Executive The nonvoting Directors are the Chief Executive Officer of NHCC, one individual appointed by the County Executive and one individual appointed by the County Legislature. The directors serve varying initial terms of two to four years and will serve five-year terms after the expiration of the initial terms. The County Executive selects one of the voting directors as Chairman of the Board.

(c) *The Nassau Regional Off-Track Betting Corporation* (the "OTB") was created by the New York State Legislature as a public benefit corporation. It is reported as a component unit as the County Legislature appoints its governing body and receives 4 375% of wagers made at Nassau County racetracks and all net operating profits from OTB. These revenues are recorded in the County's General Fund. The OTB is shown as a proprietary type component unit, and is presented on the accrual basis of accounting for its fiscal years ended December 31, 2006 and 2005, respectively.

(d) *The Nassau County Industrial Development Agency* (the "NCIDA") is a public benefit corporation established pursuant to the New York State General Municipal Law. The NCIDA's purpose is to arrange long-term low interest financing with the intent of developing commerce and industry in the County. It is reported as a component unit as the County appoints its governing body and may remove the NCIDA board at will. The County provides support to the NCIDA in the form of employees and facilities. Support expenditures are included in the County's General Fund under personal services. The NCIDA has sole authority for establishing administrative and fiscal policy in the pursuit of its objectives. The County is not liable for any obligations or deficits the NCIDA may incur, nor does it share in any surpluses. The NCIDA is shown as a proprietary type component unit and is presented on the accrual basis of accounting for its fiscal years ended December 31, 2006 and 2005, respectively.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Blended Component Unit

(a) *Nassau County Interim Finance Authority* ("NIFA") is included as a blended component unit of the County's primary government pursuant to GASB No. 14 because exclusion would be misleading. It acts as a temporary financial intermediary to the County and is authorized to act as an oversight authority to the County under certain circumstances. It reports using the governmental model and its funds are reported as part of the County's special revenue funds, debt service funds and capital projects funds.

The Nassau County Interim Finance Authority is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as may be amended from time to time, including but not limited to Chapter 528 of the laws of 2002, and Chapters 314 and 685 of the Laws of 2004 (the "Act"). The Act became effective June 23, 2000.

The Authority is governed by seven directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors. At present two Director's positions are vacant.

The Authority has power under the Act to monitor and oversee the finances of Nassau County, and upon declaration of a "Control Period" as defined in the Act, additional oversight authority. The Authority is also empowered to issue its bonds and notes for various County purposes, defined in the Act as "Financeable Costs". The Act authorizes the issuance of bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, the Authority may issue bonds up to the limits as currently set forth in the Act, exclusive of any bonds issued to finance reserves, capitalized interest or costs of issuing such obligations, to refinance any County's indebtedness (up to $415,000,000); to refinance only tax certiorari settlements or assignments of any kind to which the County is a party (up to $790,000,000); and to finance tax certiorari judgments and settlements of the County (up to $400,000,000 if the proceeding commenced before June 1, 2000 and up to $400,000,000, in aggregate, for proceedings commenced between June 1, 2000 and December 31, 2007, however of said amount approximately $1.7 million of such capacity remains that could be borrowed in 2007. Bonds issued to refund bonds theretofore issued for purposes subject to the debt limits described above are not counted against such limits. The Act currently provides that the Authority may not issue bonds or notes after 2005, other than to retire or otherwise refund Authority debt and as discussed above to finance up to $1.7 million for tax certiorari purposes in 2007. No bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issuance.

Revenues of the Authority ("Revenues") consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County ("Sales Tax Revenues"), and investment earnings on money and investments on deposit in various Authority accounts. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or County. Revenues of the Authority that are not required to pay debt service, operating expenses and other costs of the Authority are payable to the County as frequently as practicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit (Continued)

(b) *The Nassau County Tobacco Settlement Corporation* ("NCTSC") is a special purpose local development corporation organized under the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from Nassau County (the "County") Although legally separate and independent of Nassau County, NCTSC is considered an affiliated organization under Governmental Accounting Standards Board Statement No 39 *"Determining whether Certain Organizations are Component Units"* and reported as a component unit of the County for County financial reporting purposes and, accordingly, is included in the County's financial statements

The board of directors of NCTSC has three members, one of which must meet certain requirements of independence: (i) one elected by the County Legislature, (ii) one, who must be the County Treasurer, *ex officio*, designated by the County Executive and (iii) one selected by (i) and (ii). Currently only two positions are occupied

On November 23, 1999, NCTSC entered into a Purchase and Sale Agreement dated as of October 1, 1999 with the County pursuant to which NCTSC acquired from the County all of the County's right title and interest under the Master Settlement Agreement (the "MSA") and the Consent Decree and Final Judgment (the "Decree"). These rights include the County's share of all Tobacco Settlement Revenues received after November 23, 1999 and in perpetuity to be received under the MSA and the Decree. The consideration paid by NCTSC to the County for such acquisition consisted of $247,500,000 cash (of which $77,500,000 was paid into escrow for the benefit of the County) and the sole beneficial interest in NCTSC Residual Trust, a Delaware business trust to which NCTSC has conveyed a residual interest in all the Tobacco Settlement Revenues, annually received in excess of those required to pay debt service on the Series A Bonds (the "Residual"). NCTSC's right to receive Tobacco Settlement Revenues is its most significant asset and is expected to produce funding for all its obligations.

On March 31, 2006, NCTSC, issued $431,034,246 of Nassau County Tobacco Settlement Corporation Tobacco Settlement Asset-Backed bonds, Series 2006 ,Proceeds were used to refund all of NCTSC's 1999 Bonds and creation of a Residual Trust Fund for the benefit of the County and Senior Liquidity Reserve to pay future debt service on the new bonds

(c) *The Nassau County Sewer and Storm Water Finance Authority* ("NCSSWFA") is a public benefit corporation established in 2003 by the State of New York under the Nassau County Sewer and Storm Water Finance Authority Act, codified as Title-10-D of Article 5 of the Public Authorities Law of the State The NCSSWFA was established for the purpose of refinancing outstanding sewer and storm water resources debt issued by or on behalf of the County and financing future County sewer and storm water resources projects The NCSSWFA may issue debt in an amount up to $350,000,000 for such purposes (exclusive of debt issued to refund or otherwise repay the NCSSWFA debt).

The NCSSWFA has acquired all of the sewer and storm water resources facilities, buildings, equipment and related assets other than land of the County pursuant to a Financing and Acquisition Agreement dated as of March 1, 2004 by and between the NCSSWFA and the County The NCSSWFA is to pay for the assets acquired in installments by undertaking to pay debt service on outstanding bonds issued by or on behalf of the County originally issued to finance the assets acquired ("County Bonds"). In addition, as part of such purchase price, the NCSSWFA may, at the request of the County, refinance County Bonds Most of the NCSSWFA's revenues are derived through the imposition by the County of assessments for sewer and storm

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Blended Component Unit (Continued)

water resources services The County has directed each city and town receiver of taxes to pay all such assessments directly to the trustee for the NCSSWFA's bonds The NCSSWFA retains sufficient funds to service all debt (including County Bonds), and pay its operating expenses. Excess funds are remitted to the Nassau County Sewer and Storm Water Resources District (the "District") The District is responsible for the operations of the County's sewer and storm water resources services.

Complete financial statements of the individual component units can be obtained from their respective administrative offices

Nassau Community College
One Education Drive
Garden City, New York 11530

Nassau Regional Off-Track Betting Corp.
220 Fulton Avenue
Hempstead, New York 11550

Nassau County Industrial
Development Agency
1550 Franklin Avenue
Mineola, New York 11501

Nassau Health Care
Corporation
2201 Hempstead Turnpike
East Meadow, New York 11554

Nassau County Interim
Finance Authority
170 Old Country Road
Suite 205
Mineola, New York 11501

Nassau County Tobacco
Settlement Corporation
240 Old Country Road
Mineola, New York 11501

Nassau County Sewer and Storm Water
Finance Authority
240 Old Country Road
Mineola, New York 11501

In accordance with GASB Statement No.20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County applies all applicable GASB pronouncements and only Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements.

The County prepares its financial statements in accordance with GASB Statement No. 34 (as amended by Statement No. 37), which represents a very significant change in the financial reporting model used by state and local governments Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus Government-wide financial statements do not provide information by fund, but distinguish between the County's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities Significantly, the County's statement of net assets includes both noncurrent assets and noncurrent

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Blended Component Unit (Continued)

liabilities of the County, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group. In addition to the capital assets previously recorded in the General Fixed Assets Account Group, the County retroactively capitalized infrastructure assets that were acquired beginning with fiscal year ended December 31, 1980 In addition, the government-wide statement of activities reflects depreciation expenses on the County's capital assets, including infrastructure

In addition to the government-wide financial statements, fund financial statements, continue to be reported using the modified accrual basis of accounting and the current financial resources measurement focus Accordingly, the accounting and financial reporting for the County's General Fund, NIFA General Fund, Debt Service Fund, County Parks and Recreation Fund, Fire Prevention, Safety, Communication and Education Fund, Police District Fund, Police Headquarters Fund and Sewer and Storm Water District Fund is similar to that previously presented in the County's financial statements, although the format of financial statements has been modified by Statement No 34

Statement No 34 also requires supplementary information Management's Discussion and Analysis includes an analytical overview of the County's financial activities In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund, Major Special Revenue Funds and Nonmajor Special Revenue Funds' budgets with actual results

The Nassau Community College prepares its financial statements in accordance with GASB No 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*".

Statement No 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 While this Statement did not affect amounts reported in the financial statements of the County, certain note disclosures have been added and or amended including descriptions of activities of major funds, violations of legal or contractual provisions, future debt service and lease obligations in five year increments, short-term obligations, interest rates, and interfund balances and transactions

The accounting policies of the County of Nassau conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments The following is a summary of the more significant policies.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. BASIS OF PRESENTATION

Government-wide Statements: The government-wide financial statements, *i.e.* the statement of net assets and the statement of activities, display information about the primary government and its component units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. All of the activities of the County as primary government are governmental activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on buildings, lots, etc (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for the governmental and fiduciary fund categories are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, fiduciary, and proprietary. There are no proprietary funds at the County. Each category, in turn, is divided into separate "fund types."

The County reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the County through which the County provides most Countywide services. Its principal sources of revenue are sales tax, the Countywide real property tax, other local taxes and charges, departmental revenues, and Federal and State aid.

NIFA General Fund – This fund accounts for sales tax revenues received by NIFA and for general operating expenses of NIFA. Short term borrowings of NIFA are also accounted for in its General Fund except for those bond anticipation notes intended to be refinanced with long term obligations, which are accounted for in the NIFA's Capital Fund.

Debt Service Funds - The debt service fund is established to account for the payment of the principal of and interest on outstanding bonds and other long-term obligations of the County.

Fire Prevention, Safety, Communication and Education Fund – This fund is used to enforce the Nassau County Fire Prevention Ordinance, coordinate services to the County's Volunteer Fire Departments, investigate arson and provide education at the EMT Academy. Revenues are raised primarily through a special property tax levied on a County-wide basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION (Continued)

Sewer and Storm Water District Fund – This fund consists of the sewage treatment and collection districts and is responsible for the operation and repair of the County sewage collection areas and maintaining and enhancing the region's water environment.

County Parks and Recreation Fund – This fund has been established to maintain parks, museums and all recreational facilities The principal sources of revenue in this fund are user fees and through a special real property tax levied on a County-wide basis

Police District Fund - This fund is used to provide police services to those areas of the County that do not maintain their own local police forces. Revenues are raised principally through a special real property tax levied only in those areas served by the County police. This fund does not include Police Department headquarters expenses which are funded through the Police Headquarters Fund

Police Headquarters Fund - This fund is used to record all the costs of police headquarters. Revenues are raised principally through a special real property tax levied on a County-wide basis. The Police Department headquarters services the entire County with all police services that the local police departments cannot provide.

Additionally, the County reports the following fund type:

Fiduciary Fund - The fiduciary fund is an agency fund used to account for resources received and held by the County as the agent for others. These resources include among other things, withholdings for payroll taxes and garnishments. Use of this fund facilitates the discharge of responsibilities placed upon the County by law or other authority. Individual accounts are maintained for all other escrow-type and fiduciary accounts required by law or other authority in administering such monies received by the County.

New Accounting Standards

In June 2004, GASB issued Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* The Statement establishes standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) expense and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided separately from a pension plan. The approach followed in the Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* with modifications to reflect differences between pension benefits and OPEB. Statement No 45 improves the relevance and usefulness of financial reporting by. (i) recognizing the cost of benefits in periods when the related services are received by the employer; (ii) providing information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded, and (iii) providing information useful in assessing potential demands on the employer's future cash flows. The County has not completed the process of evaluating the impact that will result from adopting Statement of Governmental Accounting Standards No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions,* and is therefore unable to disclose the impact that adopting Statement of Governmental Accounting Standards No. 45 will have on its financial position and results of operations when such statement is required to be adopted for FY 2007.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION (Continued)

In December 2004, GASB issued Statement No 46, *Net Assets Restricted by Enabling Legislation* This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor The County has determined that the adoption of this statement has no impact on the County's financial statements

In July 2005, GASB issued statement No 47, *Accounting for Termination Benefits* There was no impact on the County's financial statements as a result of the implementation of Statement No. 47 For termination benefits provided through a deferred benefit OPEB plan, the provisions of this Statement will be implemented in conjunction with Statement No 45, and therefore the County is unable to disclose the impact that adopting Statement of Governmental Accounting Standards No. 47 will have on its financial position and results of operations when such statement is required to be adopted for FY 2007

In September 2005, GASB issued the Proposed Statement No 48, *Sales and Pledges of Receivables and Future Revenues* which should be implemented beginning with fiscal years ending December 31, 2007 The County has not completed the process of implementing GASB Statement No. 48 and is therefore unable to determine the impact that adopting this statement will have on its financial position and results of operations when such statement is adopted.

In January 2006, GASB issued the Proposed Statement No 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* which is effective for periods beginning after December 15, 2007 The County has not completed the process of implementing GASB Statement No 49 and is therefore unable to determine the impact that adopting this statement will have on its financial position and results of operations when such statement is adopted

B. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The basis of accounting determines when transactions are reported on the financial statements The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County either gives or receives value without directly receiving or giving equal value in exchange, include, for example sales and property taxes, grants, and donations. On an accrual basis, revenue from sales taxes is recognized when the underlying 'exchange' transaction takes place Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied

All discretely presented component units-proprietary funds are accounted for on a flow of economic resources measurement focus

Governmental funds are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., both measurable and available to finance expenditures of the fiscal period) Revenue items accrued are property taxes and sales taxes, provided the revenue is collected within 60 days of the fiscal year end, and reimbursable amounts from Federal and State supported programs, provided the revenue is collected within

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

one year of year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, with the following exceptions that are in conformity with accounting principles generally accepted in the United States of America general long-term obligation principal and interest are reported only when due, vacation and sick leave when paid, pension costs when due, and judgments and claims when settled. Discretely presented component units-proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services receivable are recognized as revenue.

The fiduciary fund is accounted for on the cash basis of accounting for the purpose of asset and liability recognition.

Transfers among funds are recognized in the accounting period in which the interfund receivable and payable arise.

Nassau Community College - The College reports as a special purpose government engaged only in business type activities as defined in GASB Statement No 35 "*Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*".

C. **BUDGETS AND BUDGETARY ACCOUNTING**

An appropriated budget is legally adopted for each fiscal year for the General Fund, Debt Service Fund and each of the Special Revenue Funds, with the exception of NIFA, NCSSWFA, NCTSC and the Grant Fund. NIFA funds consist of sales tax revenues collected by the State Comptroller and transferred to the fund and are not subject to appropriation by the State or County NCTSC Funds consist of Tobacco Settlement Revenues received annually as a result of a Master Settlement Agreement between the Tobacco Settlement Corporation and Tobacco Manufacturing Companies The Grant Funds are appropriated for the life of specific grants, not for annual fiscal periods. Accordingly, the Grant Funds are excluded from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance presented for budgeted special revenue funds. The budget amounts as shown include prior year encumbrances carried forward as well as current year authorizations. In the case of the Grant Fund, an appropriated budget is legally adopted for the life of each grant as it is received The County Legislature also authorizes and rescinds spending and financing authority in a Capital Budget. Each project authorized has continuing budget authority until the project is completed or rescinded All appropriated budgets are adopted by ordinance of the County Legislature on the same modified accrual basis of accounting used to report revenues and expenditures except that appropriations are not provided for certain interfund indirect costs and encumbrances are treated as charges to appropriations when incurred. All supplemental appropriations amending appropriated budgets as originally adopted are also provided by ordinance of the Legislature. During the fiscal years ended December 31, 2006 and 2005, supplemental appropriations for the General Fund, Debt Service Fund and for the Special Revenue Funds and appropriation budgets for the Grant Fund were adopted and are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budgeted Funds as follows (dollars in thousands):

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

	2006		2005	
Supplemental Appropriations				
General Fund	$ 16,471		$ 31,822	
Police District			4,107	
Police Headquarters	2,249		9,286	
Fire Prevention, Safety, Communication and Education	1,351		1,362	
County Parks and Recreation	11		2,823	
Debt Service Fund			50,792	
Nonmajor Governmental			5,200	
Total Supplemental Appropriations		$ 20,082		$ 105,392
Grant Fund Appropriated Budgets		106,159		97,585
Total Supplemental Appropriations and Grant Fund Appropriated Budgets		$ 126,241		$ 202,977

Appropriations which have not been expended or encumbered by the end of the fiscal period lapse at that time

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1 The proposed budget must be presented to the County Legislature and NIFA not later than September 15 (For the College, the proposed budget is submitted on or before the second Monday in July for the fiscal year commencing the following September 1.) The appropriated budgets include proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3 Budgets must be adopted by the County Legislature no later than October 30 of the prior year. (For the College, the budget is legally enacted on or before the third Monday in August.)

4. The appropriated budget can be legally amended by the County Legislature subsequent to its initial adoption. Proposed amendments can be submitted by the County Executive to the Legislature at any time during the fiscal year These proposed amendments are then voted on by the Legislature at the next available meeting. Amendments which are legally approved by the Legislature are immediately reflected in the operating appropriated budget.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the governmental funds. The legal level of budgetary control is exercised at the object appropriation level within a departmental control center. The County Legislature must approve all transfers and supplemental appropriations at this level

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with original maturities of three months or less from the date acquired by the County. Investments are carried at cost, which approximates market, and are fully collateralized in accordance with the New York State Local Finance Law (the Law")

During the course of the 2006 and 2005 fiscal years, the County discontinued investing in repurchase agreements and instead maintained approximately $613.5 million and $511 2 million of the total cash and cash equivalents of $665 3 million and $731.2 million, respectively, in money market interest bearing bank accounts at rates averaging 4 9% and 4 1% annually for the years ended December 31, 2006 and 2005, respectively.

F. CAPITAL ASSETS

All capital assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are accounted for and reported in the government-wide financial statements, as capital assets, if they meet the County's capitalization criteria These statements also contain the County's infrastructure elements that are now required to be capitalized under GAAP. Infrastructure assets include public domain assets such as roads, bridges, streets, sidewalks, curbs and gutters, drainage systems, lighting systems, and the like Real property acquired in 1984 and prior (except for infrastructure assets) is recorded at historical cost based on an appraisal performed in 1984 Real property acquired after 1984 as well as all infrastructure assets are recorded at historical cost. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease. Equipment with a unit cost of $5,000 or more is included in the financial statements as general capital assets of the County Electronic equipment valued at a unit cost of $500 or more and all other equipment valued at $1,000 or more is inventoried and recorded for internal control purposes Donated capital assets, if material, are stated at their fair market value as of the date of the donation.

G. DEPRECIATION

Depreciation is defined by the AICPA as a method of accounting which aims to distribute the cost or value of tangible capital assets, less any salvage value, over the estimated useful life of the assets in a systematic and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. DEPRECIATION (Continued)

rational manner GASB 34 states that capital assets should be depreciated over their estimated useful lives, unless they are inexhaustible Pursuant to GASB 34, accumulated depreciation is reported for land improvements, buildings, equipment and infrastructure (The County's land improvements consist of exhaustible capital assets such as swimming pools, parking lots, and playgrounds) Land, which is an inexhaustible asset, and construction in progress are not depreciated Land improvements, buildings, equipment, and infrastructure are depreciated, using straight-line method of depreciation, over their estimated useful lives of 20 years for land improvements, 40 years for buildings, and 3 to 25 years for equipment and 15 to 40 years for infrastructure Capital lease assets are amortized over the term of the lease or the life of the asset, whichever is less

Depreciation is recorded by the proprietary type entities, as follows

Nassau Community College - Depreciation on buildings, land improvements and infrastructure, and equipment is calculated using the straight line method over the assets' estimated useful lives, ranging from 5 to 50 years Library books and audiovisual items are not depreciated

Nassau Health Care Corporation - Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight–line method Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

Nassau Regional Off-Track Betting Corporation - For capital improvement assets, depreciation and amortization is recorded over the assets' estimated useful lives using the straight-line method (4 to 20 years) and is charged directly against the assets. No charge to operations is recorded For all other assets, depreciation and amortization are computed on the straight-line method and charged to operations over the assets' estimated useful lives (4 to 20 years) Leasehold improvements are amortized over their estimated useful lives, or the remaining term of the leases, exclusive of renewal options

Nassau County Industrial Development Agency - Depreciation is calculated on the straight-line basis over an estimated useful life of five years, utilizing the half-year convention

Nassau County Sewer and Storm Water Finance Authority - Capital assets are depreciated over their economic useful life using straight-line method.

H. RESERVES

Portions of governmental fund equity are reserved for specific purposes, and are therefore not available as spendable resources

I. ACCUMULATED UNPAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFITS

County employees receive vacation time, sick leave, and other benefits pursuant to the labor contract or County ordinance covering their terms of employment The cash value of these accumulated unpaid employee benefits and the related employer costs (e g. Social Security) has been accrued and reported with other long-term liabilities in the government-wide financial statements of net assets The compensated absences for the governmental funds are treated as long term as they will not be liquidated with expendable

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. ACCUMULATED UNPAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFITS (Continued)

available financial resources For those employees who have retired prior to December 31, 2006, any accumulated and unpaid benefits as of that date have been recorded in the government-wide financial statements of net assets

J. GRANTS AND OTHER INTERGOVERNMENT REVENUES

Federal and State grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs All other Federal and State reimbursement type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred.

K. REAL PROPERTY TAX

County real property taxes are levied on or before the third Monday in December and recorded as a receivable on January 1, the first day of the fiscal year. They are collected in two semiannual installments, payable on January 1 and July 1 by the town and city receivers of taxes together with the town and city tax levies, all of which become a lien on January 1. At year-end, adjustments are made for taxes that are estimated to be uncollectible, or collectible but not available soon enough in the next year to finance current period expenditures. The town receivers of taxes likewise collect real property taxes for all towns, school districts and special districts in the County, and return to the County after June 1 any uncollected taxes receivable. Pursuant to the Nassau County Administrative Code, the County assumes the burden of such uncollected taxes, and has the responsibility for their collection from the taxpayers.

The New York State constitutional limit of real property taxation for counties is set at two percent of the average full valuation of real estate for the five years preceding the current year for general government services other than the payment of principal and interest on its long-term debt. The constitutional tax limit controlling the levy of County real property taxes for 2006 and 2005 fiscal years was $3 4 billion and $3 2 billion, respectively. The constitutional tax margin was $2.6 billion or approximately 76.57% in 2006 and $2 4 billion or approximately 75.37% in 2005.

Property tax revenue is recognized in the year for which it is levied provided that it is payable and collected before the current fiscal year-end, or within 60 days thereafter in order to be available to pay for liabilities of the current fiscal year and property tax revenue not so available is presented as deferred revenue for the fund financial statements. Additionally, the government-wide financial statements recognize real estate tax revenue which is not available to the governmental fund type in the fiscal year for which the taxes are levied.

L. INTERFUND TRANSACTIONS

During the course of normal operations, the County has numerous transactions among funds, including transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers The General Fund provides administrative and other services to other funds. Amounts charged to the users for these services are based on the County's cost allocation plan and are treated as revenues in the General Fund and as expenditures or operating expenses in the user funds

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. NOTES PAYABLE

Tax anticipation notes and revenue anticipation notes are generally recorded as fund liabilities in the fund receiving the proceeds. Bond anticipation notes are classified as fund liabilities in the funds receiving the proceeds unless all legal steps have been taken to refinance the notes and the intent is supported by an ability to consummate refinancing the short-term note on a long-term basis at which time they are recorded in the government-wide financial statement of net assets.

N. LONG-TERM LIABILITIES

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

O. ISSUANCE COSTS

In the governmental fund types, issuance costs are recognized as expenditures in the period incurred. Issuance costs recorded in the government-wide financial statements units are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

P. CLAIMS AND CONTINGENCIES

The County is self-insured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, expenditures for judgments and claims and workers' compensation are recorded when paid. In the government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability.

Q. RECLASSIFICATIONS

Certain reclassifications were made to the 2005 financial statements to conform to the 2006 presentation.

R. USE OF ESTIMATES

Significant accounting estimates reflected in the County's financial statements include estimated tax certiorari liability, the allowance for doubtful accounts, allowance for property taxes, accrued liabilities, workers' compensation claims, accrued vacation and sick leave, deferred payroll, estimated malpractice liability, liability for litigation and claims, and depreciation.

2. DEPOSITS AND INVESTMENTS

In accordance with General Municipal Law of the State of New York, the County may invest in certificates of deposits, money market and time deposit accounts, repurchase agreements, obligations of the United States Government and obligations of the State of New York and its various municipal subdivisions

Deposits - As required by law, all cash deposits and cash equivalents are required to be fully collateralized or insured. At December 31, 2006 and 2005, the carrying amount of the County's deposits was approximately $439 5 and $638.1 million, respectively and the bank balance was $492 5 and $538 1 million, respectively. The bank balance was covered by Federal depository insurance or by collateral consisting of obligations of the United States Government held by the County's agent in the County's name.

Investments - To the extent authorized by law, in prior years the County has invested in repurchase agreements and certificates of deposit with various commercial banks and investment firms as approved by the New York State Comptroller. Repurchase agreements and certificates of deposit are collateralized by obligations of the United States Government During the course of the 2006 and 2005 fiscal years, the County discontinued investing in repurchase agreements and instead maintained approximately $613.5 and $511.2 million of the total cash and cash equivalents of $665 3 and $731 2 million, respectively, in money market interest bearing bank accounts at rates averaging 4 9% and 4.1% annually, respectively

The investments at December 31, 2006 and 2005 consisted of U.S Treasury Notes and other obligations of the U S. government which are explicitly guaranteed by the U.S government and therefore not considered to have credit risk.

Interest rate risk is the risk that the fair value of investments could be adversely affected by the change in interest rates Duration limits are used to control the portfolios exposure to interest rate changes. Investments are limited to less than one year in duration

The following table summarizes the County's unrestricted cash and investment position at December 31, 2006, all investments mature in less than one year:

	Total	Cash and Cash Equivalents	Investments
	(Dollars in Thousands)		
Cash	$ 613,455	$ 613,455	$
Treasury Notes, Commercial Paper and Investment Contract	136,017	51,831	84,186
Totals	$ 749,472	$ 665,286	$ 84,186
Governmental Funds	$ 523,715	$ 439,529	$ 84,186
Fiduciary Fund	225,757	225,757	
Totals	$ 749,472	$ 665,286	$ 84,186

2. DEPOSITS AND INVESTMENTS (Continued)

The following table summarizes the County's unrestricted cash and investment position at December 31, 2005:

	Total	Cash and Cash Equivalents	Investments
	(Dollars in Thousands)		
Cash	$ 511,173	$ 511,173	$
Treasury Notes & Commercial Paper	250,849	220,032	30,817
Totals	$ 762,022	$ 731,205	$ 30,817
Governmental Funds	$ 668,950	$ 638,133	$ 30,817
Fiduciary Fund	93,072	93,072	
Totals	$ 762,022	$ 731,205	$ 30,817

The County maintains a consolidated disbursement account with a financial institution on behalf of the College. At August 31, 2006 and 2005, the College had a cash balance of $36.1 and of $37.1 million, respectively; and the bank balance was $35.9 and $37.1 million, respectively. The bank balance is covered by Federal depository insurance or by collateral consisting of obligations of the United States Government held by the County's agent in the County's name.

At August 31, 2006 and 2005, the carrying amount (fair value) of the College's investments was $0.

At December 31, 2006 and 2005, the carrying amount of deposits for the OTB was $11.7 and $11.7 million; NHCC was $22.9 and $12.9 million; and NCIDA was $3.4 million and $2.3 million, respectively. The bank balance was $12.0 and $13.5 million for the OTB; NHCC was $55.9 and $51.9 million; and NCIDA was $3.5 million and $2.4 million, respectively. The bank balances were covered by Federal depository insurance or by collateral consisting of obligations of the United States Government which for the OTB, NHCC and NCIDA are held by an independent trustee serving as the OTB's, NHCC's and NCIDA's agent in the name of the OTB, NHCC and NCIDA.

3. DUE FROM OTHER GOVERNMENTS

The account "Due from Other Governments" at December 31, 2006 and 2005 represents aid, grants, and other amounts receivable from the State and Federal governments The following summarizes such receivables (dollars in thousands)

Fund	2006 Total	2006 Federal	2006 State/Other*	2005 Total	2005 Federal	2005 State/Other*
General	$ 163,845	$ 41,668	$ 122,177	$ 146,018	$ 36,399	$ 109,619
Police Headquarters	502	94	408	1,541	1,541	
Nonmajor Governmental	13,256	4,606	8,650	13,713	6,633	7,080
Totals	$ 177,603	$ 46,368	$ 131,235	$ 161,272	$ 44,573	$ 116,699

* Includes $10,677 and $10,388 of sales taxes receivable at December 31, 2006 and 2005, respectively.

4. TAX REAL ESTATE

The account "Tax Real Estate" includes real property which the County has acquired through foreclosure proceedings. The property is valued at the amount of the delinquent tax liens which could not be sold at the public tax lien sale and which the County was required to retain.

Real property designated as Tax Real Estate is accounted for as an asset of the General Fund inasmuch as it is not being considered for use by the County at this time, but rather is available for sale to private bidders. Since any taxes unpaid to other funds from this property were paid to those funds by the General Fund, no portion of this asset is allocable to those other funds.

Certain real property which was acquired by the County as Tax Real Estate and subsequently designated for public use is currently not available for sale and is included as part of the capital assets in the government-wide financial statements of net assets.

5. TAX SALE CERTIFICATES

The account "Tax Sale Certificates" includes the amount of delinquent real property tax liens which could not be sold at the public tax lien sale and which the County was required to retain. It also includes the value of tax sale certificates bought by the public at the tax lien sale which the County subsequently reacquired upon default of the purchaser.

6. RECONCILIATION OF INTERFUND AND COMPONENT UNIT RECEIVABLES AND PAYABLES

A. Interfund Receivables and Interfund Payables (dollars in thousands)

The individual fund Interfund Receivables and Interfund Payables as of December 31, 2006 and 2005 are reconciled as follows:

December 31, 2006	General Fund	NIFA General Fund	Debt Service Fund	Fire Comm Fund	Park Fund	Police District Fund	Police Headquarters Fund	Sewer & Storm Water District Fund	Nonmajor Funds	Total
INTERFUND RECEIVABLE										
General Fund	$	$	$	$	$ 1,153	$	$	$ 42,754	$ 18,319	$ 62,226
NIFA General	71,696								26,431	98,127
Debt Service Fund	38,458									38,458
Fire Comm Fund	2,883		752							3,635
Parks Fund			18,029				800		1,595	20,424
Police District	9,678		737				5,482		6,930	22,827
Police Headquarters	30,924		3,511							34,435
Sewer & Storm District			4,486							4,486
Nonmajor Funds	59,504		10,900	17	75	1,180	900	874	400	73,850
TOTAL RECEIVABLE	$ 213,143	$	$ 38,415	$ 17	$ 1,228	$ 1,180	$ 7,182	$ 43,628	$ 53,675	$ 358,468
INTERFUND PAYABLE										
General Fund	$	$ (71,696)	$ (38,458)	$ (2,883)	$	$ (9,678)	$ (30,924)	$	$ (59,504)	$ (213,143)
NIFA General										
Debt Service Fund				(752)	(18,029)	(737)	(3,511)	(4,486)	(10,900)	(38,415)
Fire Comm Fund									(17)	(17)
Parks Fund	(1,153)								(75)	(1,228)
Police District									(1,180)	(1,180)
Police Headquarters					(800)	(5,482)			(900)	(7,182)
Sewer & Storm District	(42,754)								(874)	(43,628)
Nonmajor Funds	(18,319)	(26,431)			(1,595)	(6,930)			(400)	(53,675)
TOTAL PAYABLE	$ (62,226)	$ (98,127)	$ (38,458)	$ (3,635)	$ (20,424)	$ (22,827)	$ (34,435)	$ (4,486)	$ (73,850)	$ (358,468)

6. RECONCILIATION OF INTERFUND AND COMPONENT UNIT RECEIVABLES AND PAYABLES (Continued)

A. Interfund Receivables and Interfund Payables (dollars in thousands) (Continued)

December 31, 2005	General Fund	NIFA General Fund	Debt Service Fund	Fire Comm Fund	Park Fund	Police District Fund	Police Headquarters Fund	Sewer & Storm Water District Fund	Nonmajor Funds	Total
INTERFUND RECEIVABLE										
General Fund	$	$	$	$	$	$	$	$	$ 37,195	$ 37,195
NIFA General	74,035								27,554	101,589
Debt Service Fund	3,907								35,706	39,613
Fire Comm Fund	1,517		660						152	2,329
Parks Fund	8,748		18,021						130	26,899
Police District	11,951		775				4,444		5,825	22,995
Police Headquarters	7,664		6,286						1,240	15,190
Sewer & Storm District			7,727							7,727
Nonmajor Funds	18,563			13		8,459	8,017	994	87,817	123,863
TOTAL RECEIVABLE	$ 126,385	$	$ 33,469	$ 13	$	$ 8,459	$ 12,461	$ 994	$ 195,619	$ 377,400
INTERFUND PAYABLE										
General Fund	$	$ (74,035)	$ (3,907)	$ (1,517)	$ (8,748)	$ (11,951)	$ (7,664)	$ (13,492)	$ (5,071)	$ (126,385)
NIFA General										
Debt Service Fund				(660)	(18,021)	(775)	(6,286)	(7,727)		(33,469)
Fire Comm Fund									(13)	(13)
Parks Fund										
Police District									(8,459)	(8,459)
Police Headquarters						(4,444)			(8,017)	(12,461)
Sewer & Storm District									(994)	(994)
Nonmajor Funds	(37,195)	(27,554)	(35,706)	(152)	(130)	(5,825)	(1,240)		(87,817)	(195,619)
TOTAL PAYABLE	$ (37,195)	$ (101,589)	$ (39,613)	$ (2,329)	$ (26,899)	$ (22,995)	$ (15,190)	$ (21,219)	$ (110,371)	$ (377,400)

The outstanding balances between funds result primarily from the time lag between the date the reimbursement is received and the date the interfund goods and services are provided.

The total amounts shown as Due to Primary Government and Due from/to Component Units at December 31, 2006 and 2005 do not offset each other as they include accounts of the Nassau Community College at the end of their fiscal years on August 31, 2006 and 2005. The following reconciles the December 31, 2006 and 2005 amounts by carrying forward the Nassau Community College transactions affecting these accounts from September 1, 2006 through December 31, 2006 and from September 1, 2005 through December 31, 2005, respectively.

6. RECONCILIATION OF INTERFUND AND COMPONENT UNIT RECEIVABLES AND PAYABLES (Continued)

B. Due from/Due to Primary Government and Component Units

	Dollars in Thousands			
	2006		2005	
Net Due to Primary Government (Exhibit X-1)		$ (6,993)		$ (39,930)
Nassau Community College Transactions from September 1, to December 31				
Increase in Due to ATF	$ (12)		$ (279)	
Decrease in Due from Capital Fund	(1,397)		(1,145)	
(Increase) Decrease in Due to Grant Fund	(26)		787	
Decrease in Capital Chargeback	322		68	
Decrease in Due to General Fund	5,096		2,324	
Subtotals		3,983		1,755
Nassau Health Care Corporation				
Net Change in Encumbrances	(4,045)		1,085	
NHCC Recognition of the IGT Revenues on the Cash Basis	(6,500)			
Subtotals		(10,545)		1,085
Due To/From Component Units - Fiduciary per Balance Sheet (Exhibit X-13)		(1,155)		82
Net Due From Component Units - Governmental per Balance Sheet (Exhibit X-1)		14,710		37,008
Net Due From Component Units Fiduciary and Governmental		$ 6,993		$ 39,930

7. PROPERTY, PLANT AND EQUIPMENT

Activity for capital assets excluding the Nassau Community College, which are capitalized by the County, is summarized below (dollars in thousands):

Primary Government	Balance, December 31, 2005	Additions	Deletions	Balance, December 31, 2006
Governmental activities:				
Capital Assets, Not Being				
Depreciated:				
Land	$ 123,018	$ 14,575	$ 19	$ 137,574
Construction in progress	293,143	112,848	43,563	362,428
Total Capital Assets, Not Being Depreciated	416,161	127,423	43,582	500,002
Capital Assets, Being Depreciated:				
Land Improvements	77,446	142	1	77,587
Buildings	648,558	2,405	56	650,907
Equipment	418,960	18,563	13,008	424,515
Infrastructure	646,590	18,814		665,404
Total Capital Assets, Being Depreciated	1,791,554	39,924	13,065	1,818,413
Total Capital Assets	2,207,715	167,347	56,647	2,318,415
Less Accumulated Depreciation:				
Land Improvements	27,216	3,531		30,747
Buildings	223,032	15,349	30	238,351
Equipment	228,071	31,525	11,847	247,749
Infrastructure	380,969	21,136		402,105
Total Accumulated Depreciation	859,288	71,541	11,877	918,952
Total Capital Assets, Being Depreciated, Net	932,266	(31,617)	1,188	899,461
Governmental Activities Capital Assets, Net	$ 1,348,427	$ 95,806	$ 44,770	$ 1,399,463

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Primary Government	Balance, December 31, 2004	Additions	Deletions	Balance, December 31, 2005
Governmental activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 114,421	$ 8,636	$ 39	$ 123,018
Construction in progress	259,745	77,508	44,110	293,143
Total Capital Assets, Not Being Depreciated	374.166	86,144	44,149	416,161
Capital Assets, Being Depreciated:				
Land Improvements	73,959	3,487		77,446
Buildings	638,791	9,828	61	648,558
Equipment	418,771	30,496	30,307	418,960
Infrastructure	620,247	26,343		646,590
Total Capital Assets, Being Depreciated	1,751,768	70,154	30,368	1,791,554
Total Capital Assets	2,125,935	156,298	74,517	2,207,715
Less Accumulated Depreciation:				
Land Improvements	23,707	3,509		27,216
Buildings	211,011	12,022	1	223,032
Equipment	211,291	30,938	14,158	228,071
Infrastructure	359,950	21,019		380,969
Total Accumulated Depreciation	805,959	67,488	14,159	859,288
Total Capital Assets, Being Depreciated, Net	945,809	2,666	16,209	932,266
Governmental Activities Capital Assets, Net	$ 1,319,975	$ 88,810	$ 60,358	$ 1,348,427

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense was charged to functions of the County for the fiscal year ended December 31, 2006 and 2005 as follows (dollars in thousands):

December 31, 2006	Land Improvements	Buildings	Equipment	Infrastructure	Total
Functions:					
Legislative	$	$ 6	$ 1	$	$ 7
Judicial	60	1,409	168		1,637
General Administration	85	1,189	2,444		3,718
Protection of Persons	9	1,639	5,760		7,408
Health		113	182		295
Public Works		277	2,073	20,443	22,793
Recreation and Parks	3,308	2,064	555	693	6,620
Social Services	60	338	93		491
Corrections		4,582	304		4,886
Other Expenditures/MSBA		660	8,861		9,521
Metropolitan Transportation Authority			11,084		11,084
Misc Unclassified	9	3,072			3,081
Total Depreciation Expense	$ 3,531	$ 15,349	$ 31,525	$ 21,136	$ 71,541

December 31, 2005	Land Improvements	Buildings	Equipment	Infrastructure	Total
Functions:					
Legislative	$	$ 6	$	$	$ 6
Judicial	90	1,588	290		1,968
General Administration	60	1,143	2,341		3,544
Protection of Persons	9	1,600	5,436		7,045
Health		113	190		303
Public Works		278	1 407	20,319	22,004
Recreation and Parks	3,279	2,017	315	700	6,311
Social Services	60	489	284		833
Corrections		2,047	724		2,771
Other Expenditures/MSBA		660	8,868		9,528
Metropolitan Transportation Authority			11,083		11,083
Misc Unclassified	11	2,081			2,092
Total Depreciation Expense	$ 3,509	$ 12,022	$ 30,938	$ 21,019	$ 67,488

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Sources of funding of the general fixed assets at December 31, 2006 and 2005 were as follows (dollars in thousands):

December 31,	2006	2005
Long Term Serial Bonds	$ 1,946,951	$ 1,842,406
Temporary Financing and Bond Anticipation Notes	59,922	57,517
Federal Grants	7,151	4,929
New York State Grants	45,945	44,854
General Fund Revenues	121,675	120,410
Special Revenue Funds Revenues	58,813	56,588
Gifts	28,577	28,577
Acquisitions Prior to December 31, 1985	43,924	46,977
Capitalized Lease	5,457	5,457
Total Funding Sources	$ 2,318,415	$ 2,207,715

General capital assets of the County by function at December 31, 2006 and 2005 were as follows (dollars in thousands):

	2006	2005
Legislative	$ 364	$ 331
Judicial	80,004	79,329
General Administration	107,637	91,779
Protection of Persons	138,592	137,341
Health	9,061	8,905
Public Works	1,747,495	1,716,992
Recreation and Parks	213,828	211,686
Social Services	25,607	25,601
Corrections	191,478	190,993
Other Expenditures/MSBA	142,431	144,481
Metropolitan Transportation Authority	140,040	140,040
Misc Unclassified	193,096	193,115
Construction Work in Progress	362,428	293,143
Total	3,352,061	3,233,736
Less Accumulated Depreciation	1,019,240	920,691
Total Net Capital Assets	$ 2,332,821	$ 2,313,045

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of the Nassau County Sewer and Storm Water Finance Authority capital assets at cost, except as noted (dollars in thousands):

Property, Plant & Equipment	Balance, December 31, 2004	Additions	Disposals	Balance, December 31, 2005	Additions	Disposals	Balance, December 31, 2006
Buildings	$ 305,658	$ 142	$ 65	$ 305,735	$ 2,263	$	$ 307,998
Equipment	665	27	3	689			689
Infrastructure	719,211	386		719,597	5,362		724,959
Total Capital Assets	$ 1,025,534	$ 555	$ 68	$ 1,026,021	$ 7,625	$	$ 1,033,646
Less Accumulated Depreciation:							
Buildings	$ 5,403	$ 8,798	$ 4	$ 14,197	$ 8,997	$	$ 23,194
Equipment	47	49		96	61		157
Infrastructure	18,016	29,094		47,110	29,827		76,937
Total Accumulated Depreciation	23,466.00	37,941	4	61,403	38,885		100,288
Property, Plant & Equipment (Net)	$ 1,002,068	$ (37,386)	$ 64	$ 964,618	$ (31,260)	$	$ 933,358

Total combined Property, Plant & Equipment of the County, including its blended component unit, Nassau County Sewer and Storm Water Finance Authority, is $3,352,061 with the Accumulated Depreciation of $1,019,240.

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of the Nassau Community College capital assets at cost, except as noted (dollars in thousands):

Property, Plant & Equipment	Balance, August 31, 2004	Additions	Disposals	Balance, August 31, 2005	Additions	Disposals	Balance, August 31, 2006
Not Being Depreciated:							
Land	$ 2,733	$	$	$ 2,733	$	$	$ 2,733
Library*	883	15		898	1		899
Total	3,616	15		3,631	1		3,632
Property, Plant & Equipment Being Depreciated:							
Land Improvements	1,133			1,133			1,133
Infrastructure	1,275			1,275			1,275
Buildings	166,016	50		166,066	65		166,131
Building Improvements	23,831	193		24,024	755		24,779
Equipment	5,978	186	65	6,099	487	339	6,247
Total Capital Assets, Being Depreciated	198,233	429	65	198,597	1,307	339	199,565
Total Capital Assets	201,849	444	65	202,228	1,308	339	203,197
Less Accumulated Depreciation:							
Land Improvements	653	49		702	49		751
Infrastructure	608	64		672	64		736
Buildings	69,705	3,112		72,817	3,113		75,930
Building Improvements	9,732	1,164		10,896	1,196		12,092
Equipment	5,033	248	65	5,216	323	335	5,204
Total Accumulated Depreciation	85,731	4,637	65	90,303	4,745	335	94,713
Net Property, Plant & Equipment Being Depreciated	112,502	(4,208)		108,294	(3,438)	4	104,852
Property, Plant & Equipment (Net)	$ 116,118	$ (4,193)	$	$ 111,925	$ (3,437)	$ 4	$ 108,484

*Library items include books and audiovisual items, all of which are assigned a nominal value of $5 per item. Periodicals and micro-forms are excluded.

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Capital assets of the Faculty-Student Association, the Component unit of Nassau Community College as of August 31, 2005 and 2006 respectively, consisted of the following (dollars in thousands):

Property, Plant & Equipment	Balance, August 31, 2005	Balance, August 31, 2006
Furniture and Equipment	$ 328	$ 247
Vans	187	189
Total Capital Assets	515	436
Less Accumulated Depreciation:	353	284
Total Capital Assets (Net)	$ 162	$ 152

Total Property, Plant and Equipment of the Nassau Community College and Faculty-Student Association, the component unit of Nassau Community College as of August 31, 2006, were $203,633 with the accumulated depreciation of $94,997.

8. LEASES

The County leases some property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. The County leases a building valued at $5.5 million, under a capital lease. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total expenditures on such leases for the fiscal year ended December 31, 2006 and 2005 were approximately $6.3 and $5.4 million, respectively.

8. LEASES (Continued)

The County (excluding discretely presented component units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows (dollars in thousands):

	Capital Leases	Operating Leases	Total
Govenmental Activities			
Fiscal Year Ending December 31,			
2007	$ 741	$ 6,874	$ 7,615
2008	749	7,010	7,759
2009	757	7,150	7,907
2010	766	6,894	7,660
2011	777	6,991	7,768
2012-2016	4,052	35,402	39,454
2017-2021	4,367		4,367
2022-2026	3,348		3,348
Future Minimum Payments	$ 15,557	$ 70,321	$ 85,878
Less Interest	9,990		
Present Value of Future Minimum Lease Payments	$ 5,567		

8. LEASES (Continued)

The County also leases County-owned property to others and the leases are classified as operating leases. Total rental revenue on these leases for 2006 and 2005 was $6.0 and $5 9 million, respectfully.

As of December 31, 2006, the following future minimum rentals are provided for by the leases (dollars in thousands)

Fiscal Year Ending December 31	Operating Leases
2007	$ 5,873
2008	5,930
2009	6,107
2010	6,234
2011	6,282
2012-2016	29,835
2017-2021	16,372
2022-2026	5,921
2027-2031	1,397
2032-2036	329
2037-2041	329
2042-2046	329
2047-2051	329
2052-2056	329
2057-2061	329
2062-2066	329
2067-2071	329
2072-2076	329
2077-2079	79
Total	$ 86,991

These leases are for land and buildings with the total cost and carrying amount of $10,552,023 for land, and the original cost, accumulated depreciation and carrying cost of $19,793,464, $18,556,337 and $1,237,087 respectively for buildings at December 31, 2006

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS

County of Nassau Notes Payable

On December 8, 2006 the County issued $100,000,000 Tax Anticipation Notes, Series 2006 A and $50,000,000 Tax Anticipation Notes, Series 2006 B, (the "2006 A Notes" and "2006 B Notes", respectively). The Notes were issued to finance cash flow needs of Nassau County. The 2006 A Notes bear interest at the rate of 4.00% - 4.25% per annum, pay interest only at maturity, and will mature on September 30, 2007. The 2006 B Notes bear interest at the rate of 4.00% per annum, pay interest only at maturity, and will mature on October 31, 2007.

Governmental fund notes payable of the County, including the range of interest rates, issue dates, and maturity dates, are as follows (dollars in thousands):

	Balance, December 31, 2004	Additions	Reductions	Balance, December 31, 2005	Additions	Reductions	Balance, December 31, 2006
General Fund							
Tax Anticipation Notes - (4.0% to 4 25% issued in 2006, maturity dates in 2007)	$	$	$	$	$ 150,000	$	$ 150,000
Tax Anticipation Notes - (4 25% to 4 5% issued in 2005, maturity dates in 2006)		120,000		120,000		120,000	
Total General Fund	$	$ 120,000	$	$ 120,000	$ 150,000	$ 120,000	$ 150,000

Long-term obligations of the County, NIFA, NCTSC and NCSSWFA are recorded in the government-wide financial statements of net assets. The amounts including the range of interest rates, issue dates, and maturity dates, are as follows (dollars in thousands):

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations

	Balance, December 31, 2004	Additions	Reductions	Balance, December 31, 2005	Additions	Reductions	Balance, December 31, 2006	Due Within One Year
General Long-Term Obligations								
Debt								
General Obligation County Bonds (2 90% to 11 50%, issued in 1970 through 2000, maturity dates 2002 through 2024)	$ 750 955	$	$ 257,718	$ 493,237	$	$ 111,201	$ 382,036	$ 93,298
Sewage purpose bonds - (2 20% to 7 90%, issued in 1970 through 2000, maturity dates 2002 through 2020) County	148,324		20,016	128,308		23,132	105,176	21,784
State Water Pollution Control Revolving Fund revenue bonds - (2 65% to 7 10%, issued in 1991 through 2002, maturity dates 2002 through 2029) - County	170 584	1,774	8,199	164,159		8,345	155,814	8,434
Total Serial Bonds - County	1,069 863	1 774	285,933	785,704		142,678	643,026	123,516
Sales Tax Secured Bonds, Series 2000A 4 50% to 5 625% Serial and term bonds due 2002 to 2020 - NIFA	22,595		9,750	12,845			12,845	
Sales Tax Secured Bonds, Series 2001A 4% to 5 375% Serial and term bonds due 2002 to 2021 NIFA	69 730		7,035	62,695		6,740	55,955	7,555
Sales Tax Secured Bonds, Series 2002A&B (variable rate)Term Bond Due 2022 with mandatory sinking fund redemptions 2003-2021 - NIFA	215,305		7,650	207,655		8,035	199,620	8,440
Sales Tax Secured Bonds, Series 2003A&B 2% to 6% Serial Bonds Due 2023 with mandatory sinking fund redemptions 2004-2023 - NIFA	500,160		20,235	479,925		22,625	457,300	34,675
Sales Tax Secured Bonds, Series 2004A 2% to 5% Serial Bonds due 2005 to 2013	153,360		3,835	149,525		6,395	143,130	21,695
Sales Tax Secured Variable Rate Bonds, Series 2004 B-G Auction Rate Securities due 2016 to 2024	450,000			450,000			450,000	
Sales Tax Secured Bonds, Series 2004H 2 15% to 5% Serial Bonds due 2005 to 2017	187 275		3,255	184,020		4,665	179,355	3,190
Sales Tax Secured Bonds, Series 2004 I-K Auction Rate Securities due 2025	150,000			150,000			150,000	
Sales Tax Secured Bonds, Series 2005A Auction Rate Securities due 2024		124,200		124,200			124,200	3,650
Sales Tax Secured Bonds, Series 2005 B-C Auction Rate Securities due 2025		122,300		122,300			122,300	
Sales Tax Secured Bonds, Series 2005D Auction Rate Securities due 2025		143,795		143,795			143,795	770
Nassau County Sewer and Storm Water Finance Authority System Revenue Bonds, Series 2004A&B 1 4% to 5% 2002-2029	81,550		2,975	78,575		3,125	75,450	3,225
Tobacco Settlement Asset-Backed Bonds, Series A (variable rate)Term Bond Due 2029 with mandatory sinking fund redemptions 2004-2039 - NCTSC	275,295		3,170	272,125		272,125		
Series 2006A Senior Bonds 2006 - 2046					372,090		372,090	
Series 2006B-E CABs Due 2046 2060					58,944		58,944	
Total Serial Bonds - NIFA, NCSSWFA, NCTSC	$ 2,105,270	$ 390,295	$ 57,905	$ 2,437,660	$ 431,034	$ 323,710	$ 2,544,984	$ 83,200

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9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations (Continued)

	Balance, December 31, 2004	Additions	Reductions	Balance, December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
General Long Term Obligations (continued)								
Other								
Deferred Payroll	$ 37 188	$ 1 085	$ 3 991	$ 34 282	$ 8 127	$ 5 572	$ 36 837	$ 36 837
Accrued Vacation and Sick Pay	594 450	68 977	48 148	615 279	60 804	139 252	536 831	23 244
Capital Lease Obligations	5 573	1		5 574		7	5 567	17
Estimated Tax Certiorari Payable	310 502	71 232	250 734	131 000	76 760	70 560	137 200	50 000
Estimated Liability for Litigation & Malpractice Claims	234 352	7 644	16 996	225 000	7 105	7 105	225 000	9 837
Estimated Liability for Workers Compensation	84 484	21 093	16 660	88 917	62 315	18 601	132 631	
Total Other	1 266 549	170 032	336 529	1 100 052	215 111	241 097	1 074 066	119 935
Total General Long Term Obligations	$ 4 441 682	$ 562 101	$ 680 367	$ 4 323 416	$ 646 145	$ 707 487	$ 4 262 074	$ 326 651

Revenues from the Special Revenue Sewer Funds will be utilized to finance the debt service for the Sewer purpose bonds and a portion of the State Water Pollution Control Revolving Fund revenue bonds. All other debt service will be financed by the General Fund. Also, for the governmental activities, claims and judgments are generally liquidated by the general fund and compensated absences are liquidated principally by the general, police, parks and fire safety funds.

During 2006, NCTSC issued $431,034,246 of Tobacco Settlement Asset-Backed Bonds, Series 2006 pursuant to an Amended and Restated Indenture dated as of March 1, 2006. The Series 2006 Bonds consist of the "Series 2006A-1 Taxable Senior Current Interest Bonds" of $42,645,000, the "Series 2006A-2 Senior Convertible Bonds" of $37,905,610, the "Series 2006A-3 Senior Current Interest Bonds" of $291,540,000, and the "Series 2006B-E Subordinate CABs" of $58,943,636. NCTSC has used the proceeds from the Series 2006 Bonds to (i) refund all of the 1999 Bonds currently outstanding in the aggregate principal amount of $272,125,000, (ii) fund a liquidity reserve for the Series 2006 Senior Bonds of $24,009,156; (iii) pay the costs of issuance of the Series 2006 Bonds; (iv) fund certain projected requirements for the Operating Account; (v) fund interest on the Series 2006 Bonds through December 1, 2007 payment; and (vi) pay certain amounts to the Residual Trust as registered owner of the Residual Certificate. The Government wide financial statements show Series 2006 Bonds in the amount of $431,034,246 which were issued with the discount of $9,010,405 and issuer's discount of $3,836,330, for net proceeds of $418,187,511, reported in the statement of revenues, expenditures and changes in fund balances.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations (Continued)

The annual requirements and sources to amortize the County's General Obligation serial bonds payable as of December 31, 2006 are as follows (dollars in thousands):

	Debt Service Requirements			Sources		
Year Ending	Principal	Interest	Total	General County Budgets	Sewage District Budgets	Total
2007	$ 123,516	$ 32,405	$ 155,921	$ 112,367	$ 43,553	$ 155,920
2008	107,981	26,191	134,172	92,879	41,293	134,172
2009	94,573	20,654	115,227	79,865	35,363	115,228
2010	79,229	15,777	95,006	64,235	30,771	95,006
2011	55,714	11,949	67,663	41,978	25,685	67,663
2012-2016	107,585	33,221	140,806	47,269	93,537	140,806
2017-2021	44,724	15,087	59,811	2,582	57,229	59,811
2022-2026	25,809	4,091	29,900		29,900	29,900
2027-2031	3,685	388	4,073		4,073	4,073
2032-2035	210	14	224		224	224
Total	$ 643,026	$ 159,777	$ 802,803	$ 441,175	$ 361,628	$ 802,803

The County's constitutional debt margin was approximately $14.6 and $12.7 billion and total long-term obligation bonds authorized but unissued for general County and sewage district purposes were approximately $1,271.1 and $788.0 million at December 31, 2006 and 2005, respectively.

NIFA Long-Term Debt

Bonds of the Authority are issued pursuant to an Indenture, as supplemented and amended (the "Indenture") between the Authority and the United States Trust Company of New York and its successor The Bank of New York (the "Trustee"), under which the Authority has pledged its right, title and interest in the Revenues of the Authority to secure repayment of Authority debt. The Act provides that the Authority's pledge of its Revenues represents a perfected first security interest on behalf of holders of its bonds. The lien of the Indenture on the Revenues for the security of Authority bonds is prior to all other liens thereon. The Authority does not have any significant assets or sources of funds other than Sales Tax Revenues and amounts on deposit pursuant to the Indenture. The Authority does not have independent taxing power.

As of December 31, 2006 the NIFA had outstanding bonds in the amount of $2,038,500,000. NIFA did not issue any new short or long term debt in 2006.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

NIFA's debt matures through the year 2025, and is comprised of fixed, variable and auction rate bonds issued at variable rates, which are discussed below. Other than a possible refunding of its debt if market conditions permit, and the possible issuance of $10 million in 2007 for certiorari refund purposes, the Authority has no plans to issue additional debt

Fixed Rate Bonds - The Authority has issued fixed rate bonds at rates ranging between 2% and 6%. Interest on the Authority's Fixed Rate Bonds is payable on May 15 and November 15 of each year, and interest on the Variable Rate Bonds is payable on the first business day of each month. Principal on all bonds is payable on November 15. A debt service account has been established under the Indenture to provide for the payment of interest on and principal of bonds outstanding under the Indenture. The Trustee makes monthly deposits to the debt service account in the amount of debt service accrued through the end of that month. For the Fixed Rate Bonds, this is essentially one-sixth of the next interest payment and one-twelfth of the next principal payment. For the Variable Rate Bonds, this is one-twelfth of the next principal payment and the amount needed to maintain a prudent level of funding in excess of the anticipated interest expense to be accrued that month. Because of this monthly deposit requirement, the amount accrued for debt service in the Authority's financial statements in any year will not be the same as the debt service on the bonds paid to bondholders in that year

The County has assumed responsibility for calculating arbitrage rebate liability on bonds or notes issued by the Authority. The County does not believe that there is any arbitrage liability on bonds or notes issued by the Authority in addition to the approximately $5 million accrued by the County in its general fund.

Variable Rate Bonds - Interest rates on the non-auction Variable Rate Bonds are currently reset weekly by a remarketing agent at the minimum rate necessary for the bonds to have a market value equal to the principal amount Interest rates are set separately for each series of variable rate bonds. The Variable Rate Bonds are in most circumstances subject to tender at the option of the bondholder. Payment of the purchase price of eligible 2002A Bonds and 2002B Bonds subject to optional or mandatory tender for purchase and not remarketed by the remarketing agent, will be made under and pursuant to, and subject to the terms, conditions and provisions of, a liquidity facility issued by Dexia Credit Local, acting through its New York Agency, with respect to the Series 2002A Bonds, or a liquidity facility issued by BNP Paribas, acting through its New York branch, with respect to the Series 2002B Bonds Each liquidity facility is slated to expire July 9, 2007, subject to extension or early termination Bonds that are purchased by Dexia Credit Local or BNP Paribas and not remarketed, if any, must be paid over a five year period If this was to occur, annual Authority debt service expense would increase substantially.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

Auction Rate Bonds - Auction rate bonds, which are variable rate bonds issued in an auction rate mode, are auctioned at intervals between 7 days, 28 days and 35 days. As rates vary, variable rate and auction rate interest payments and net swap payments will vary. Also see note 7 regarding interest rate exchange agreements.

Bonds are recorded at the principal amount outstanding and consist of the following:
Aggregate debt service to maturity as of December 31, 2006 is as follows (Dollars in thousands):

	Dollars in Thousands		
Year Ending December 31	**Principal**	**Interest***	**Total**
2007	$ 79,975	$ 87,536	$ 167,511
2008	95,315	84,266	179,581
2009	104,265	80,549	184,814
2010	104,930	75,627	180,557
2011	119,690	70,777	190,467
2012-2016	722,640	257,631	980,271
2017-2021	586,760	113,762	700,522
2022-2025	224,925	19,517	244,442
	$2,038,500	$789,665	$ 2,828,165

* Interest on the Variable Rate Bonds is calculated at 5%, the interest rate in effect as of December 31, 2006. During 2006, the interest rate on the Variable Rate Bonds ranged from 2.90% to 3.95%.

Swap Agreements

Board-adopted Guidelines. On March 25, 2004, NIFA adopted guidelines ("Interest Rate Swap Policy") with respect to the use of swap contracts to manage the interest rate exposure of its debt. The Interest Rate Swap Policy establishes specific requirements that must be satisfied for NIFA to enter into a swap contract.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

Objectives of Swaps. To protect against the potential of rising interest rates, to achieve a lower net cost of borrowing, to reduce exposure to changing interest rates on a related bond issue, or, in some cases where Federal tax law prohibits an advance refunding, to achieve debt service savings through a synthetic fixed rate. In an effort to hedge against rising interest rates, NIFA entered into nine separate pay-fixed, receive-variable interest rate Swaps during FY 2004 (the "Swaps").

Activity during the Period.

- NIFA entered into the following six swap contracts with an effective date of April 8, 2004, in connection with the issuance of $450 million in auction rate securities to provide for the refunding or restructuring of a portion of the County's outstanding bonds, refunding of certain outstanding NIFA bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements, County capital projects and to pay costs of issuance.
    - $72.5 million notional amount (2004 Series B) with Goldman Sachs Mitsui Marine Derivative Products, L.P. ("GSMMDP")
    - $72.5 million notional amount (2004 Series C) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
    - $80.0 million notional amount (2004 Series D) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
    - $72.5 million notional amount (2004 Series E) with UBS AG
    - $72.5 million notional amount (2004 Series F) with UBS AG
    - $80.0 million notional amount (2004 Series G) with UBS AG
- NIFA entered into the following three swap contracts with an effective date of December 9, 2004, in connection with the issuance of $150 million in Auction Rate Securities to provide for the refunding of a portion of the County's outstanding bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements and to pay costs of issuance.
    - $50.0 million notional amount (2004 Series I) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
    - $50.0 million notional amount (2004 Series J) with UBS AG
    - $50.0 million notional amount (2004 Series K) with Morgan Stanley Capital Services ("MSCS")

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

Fair Value. Replacement interest rates on the Swaps, as of December 31, 2006, are reflected in the chart entitled "Interest Rate Swap Valuation" (the "Chart"). As noted in the Chart, replacement rates in some cases were higher than, and in some cases lower than, market interest rates on the effective date of the Swaps. Consequently, as of December 31, 2006, some of the Swaps had negative fair values and some had positive fair values. In the event there is a positive fair value, NIFA would be exposed to the credit risk of the counterparties in the amount of the Swaps' fair value should the Swap be terminated.

The total value of each swap, including accrued interest, is provided in the Chart. The total value of each Swap listed represents the theoretical cost to NIFA to terminate the swap as of the date indicated, assuming that a termination event occurred on that date. Negative fair values may be offset by reductions in total interest payments required under the related variable interest auction rate bonds. The market value is calculated at the mid-market for each of the Swaps. Fair values were estimated using the zero coupon methodology. This methodology calculates the future net settlement payments under the swap agreement, assuming the current forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using rates derived from the same yield curve. As of December 31, 2006, the total marked-to-market valuation, net of accruals, of NIFA's Swaps was positive $6,728,999. In the event that both parties continue to perform their obligations under the swap, there is not a risk of termination and neither party is required to make a termination payment to the other. NIFA is not aware of any event that would lead to a termination event with respect to any of its Swaps.

Risks Associated with the Swap Agreements.

From NIFA's perspective, the following risks are generally associated with swap agreements:

- *Credit Risk* – The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty or NIFA, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement.

Under the swap agreements, neither party has to collateralize its termination exposure unless its ratings, or that of the insurer, fall below certain triggers. For the Authority, there is no requirement to collateralize until the Authority is at an A3/A- level, and then only for the amount over $50 million (threshold amount) of exposure. The threshold amount declines if the Authority falls into the BBB ratings category.

NIFA's Swap Policy requires that counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, without distinction as to grade within the category. If after entering into an agreement the ratings of the counterparty or its guarantor or credit support party are downgraded below the described ratings by any one of the rating agencies, then the agreement is subject to termination unless the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to NIFA or collateralizes its obligations in accordance with the criteria set forth in

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

the transaction documents. The counterparties have the ratings set forth below. The table shows the diversification, by percentage of notional amount, among the various counterparties that have entered into agreements with NIFA.

Counterparty	($ in millions)	Percentage
GSMMDP	275	45.80 %
UBS AG	275	45.80 %
MSCS	50	8.40 %
Total	600	100.00 %

NIFA insured its performance in connection with the Swaps associated with the Series 2004 B-G bonds with Ambac Assurance (Aaa/AAA), including NIFA termination payments. NIFA's payments to the counterparties on the Swaps associated with the Series 2004 I-K bonds are insured with CDC IXIS Financial Guaranty North America, Inc. ("CIFG NA"), which is rated Aaa/AAA/AAA. However, termination payments from NIFA are not guaranteed except on NIFA's Swap with UBS AG, where it is guaranteed up to a maximum of $2 0 million.

- *Basis Risk* – The variable interest rate paid by the counterparty under the swap and the variable interest rate paid by NIFA on the associated variable interest auction rate bonds are not the same. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement does not fully reimburse NIFA for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to NIFA.

NIFA is exposed to basis risk on the Swaps. NIFA is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate to NIFA represented by a percentage of the One-Month LIBOR ("London Inter-bank Offered rate"), rate plus a fixed spread. The amount of the variable rate swap payments received from the counterparties does not normally equal the actual variable rate payable to the bondholders. Should the historical relationship between LIBOR and NIFA's variable rate on its bonds move to converge, the expected cost savings may not be realized. Conversely, should the relationship between LIBOR and NIFA's variable rate on its bonds move to diverge, there is a benefit to NIFA

- *Termination Risk* – The swap agreement will be terminated and NIFA will be required to make a large termination payment to the counterparty.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

The Swaps use International Swaps and Derivative Association ("ISDA") documentation and use standard provisions regarding termination events with one exception if the termination amount is over $5 million for the Authority, the Authority can pay such excess amount over six months, financing the delay at LIBOR plus 1%. However, adverse termination for credit deterioration is remote since the Swaps are insured and the insurers will control termination NIFA or the counterparty may terminate any of the Swaps if the other party fails to perform under the terms of the contract. In addition, NIFA may terminate the Swaps at their fair market value at any time. NIFA would be exposed to variable rates if the counterparty to the Swap defaults or if the swap is terminated. A termination of the Swap agreement may also result in NIFA making or receiving a termination payment. NIFA is not aware of any event that would lead to a termination event with respect to any of its Swaps.

- *Rollover Risk* – The notional amount under the swap agreement terminates prior to the final maturity of the associated bonds, and NIFA may be exposed to then market rates and cease to get the benefit of the synthetic fixed rate for the duration of the bond issue.

NIFA is not exposed to rollover risk, because the notional amounts under the Swaps do not terminate prior to the final maturity of the associated variable interest auction rate bonds.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

The following chart represents NIFA's Interest Rate Swap Valuation as of December 31, 2006:

Interest Rate Swap Valuation (as of December 31, 2006)

Series	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2004 Series F	2004 Series G	2004 Series I	2004 Series J	2004 Series K	Total
Notional Amount	72,500,000	72,500,000	80,000,000	72,500,000	72,500,000	80,000,000	50,000,000	50,000,000	50,000,000	600,000,000
Counterparty	GSMMDP	GSMMDP	GSMMDP	UBS	UBS	UBS	GSMMDP	UBS	MSCS	
Counterparty Rating (1)	Aaa/AA+/NR	Aaa/AA+/NR	Aaa/AA+/NR	Aa2/AA+/AA+	Aa2/AA+/AA+	Aa2/AA+/AA+	Aaa/AA+/NR	Aa2/AA+/AA+	Aa3/A+/AA-	
Effective Date	4/8/2004	4/8/2004	4/8/2004	4/8/2004	4/8/2004	4/8/2004	12/9/2004	12/9/2004	12/9/2004	
Maturity Date	11/15/2024	11/15/2024	11/15/2016	11/15/2024	11/15/2024	11/15/2016	11/15/2025	11/15/2025	11/15/2025	
NIFA Pays	3.146%	3.146%	3.002%	3.146%	3.146%	3.003%	3.432%	3.432%	3.432%	
Replacement Rate	3.314%	3.314%	3.364%	3.314%	3.314%	3.364%	3.443%	3.443%	3.443%	
NIFA Receives	60% of LIBOR plus 16 basis points weekly (Tuesday)	60% of LIBOR plus 16 basis points weekly (Friday)	60% of LIBOR plus 26 basis points monthly (4th Monday)	60% of LIBOR plus 16 basis points weekly (Tuesday)	60% of LIBOR plus 16 basis points weekly (Friday)	60% of LIBOR plus 26 basis points monthly (5th Thursday)	61.5% of LIBOR plus 20 basis points	61.5% of LIBOR plus 20 basis points	61.5% of LIBOR plus 20 basis points	
Net Accrued	(264,746)	(285,106)	(215,378)	(264,746)	(285,106)	(184,533)	(141,786)	(141,786)	(141,786)	(1,924,973)
Principal	1,135,201	1,135,841	1,977,016	1,135,201	1,135,841	1,970,244	54,876	54,876	54,876	8,653,972
Total Value of Swap	870,455	850,735	1,761,638	870,455	850,735	1,785,711	(86,910)	(86,910)	(86,910)	6,728,999

(a) Moodys/S&P/Fitch

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

The following table contains the aggregate amount of estimated variable-rate bond debt service and net swap payments during certain years that such swaps were entered into in order to: protect against the potential of rising interest rates; achieve a lower net cost of borrowing; reduce exposure to changing interest rates on a related bond issue; or, in some cases where Federal tax law prohibits an advance refunding, achieve debt service savings through a synthetic fixed rate.

- The net swap payments were calculated using the actual fixed rate on swap agreements. An assumption of 10 – 25 basis points spread was factored in for basis risk to be conservative.

Nassau County Interim Finance Authority
Variable-Rate Bonds (in Thousands)

Year(s) Ending December 31	Principal	Interest	Net Swap Payments	Total
2007	$	$ 19,707	$ (1,667)	$ 18,040
2008		19,761	(1,724)	18,037
2009		19,707	(1,667)	18,040
2010		19,707	(1,667)	18,040
2011		19,707	(1,667)	18,040
2012-2016	169,400	90,599	(7,239)	252,760
2017-2021	333,025	47,076	(2,616)	377,485
2022-2025	97,575	6,591	(259)	103,907
Total	$ 600,000	$ 242,855	$ (18,506)	$ 824,349

NCSSWFA Long-Term Debt

The Authority issued its System Revenue Bonds, 2004 Series A (the "2004A Bonds") pursuant to the Authority's General Revenue Bond Resolution dated as of March 1, 2004, as supplemented by a First Supplemental Resolution dated as of March 1, 2004.

The 2004 Bonds were issued to refund a portion of the County Bonds associated with the System and pay for the related costs of issuance and refinancing.

The 2004A Bonds bear interest at an auction rate (which rates vary from 3.00% to 3.65% per annum at December 31, 2006) and are subject to redemption at the option of the Authority, in whole on any date, or in part by lot on any interest payment date immediately following an auction period (35 day increments), at a redemption price of 100% of the principal amount of such 2004A Bonds or portion thereof to be redeemed plus accrued interest to the date of redemption.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NCSSWFA Long-Term Debt (Continued)

At the option of the Authority, all of the 2004A Bonds may be converted to a variable interest rate other than the auction rate or a fixed interest rate, as described in the Official Statement. Unless the 2004A Bonds are bearing interest at the fixed interest rate, such 2004A Bonds are subject to redemption prior to maturity through sinking fund payments established by the First Supplemental Resolution on each of the dates set forth below and in the respective principal and interest amounts set forth opposite each such date (the particular 2004A Bonds or portion thereof are to be selected by the Trustee as described in the General Revenue Bond Resolution), in each case at a redemption price of 100% of the principal amount of the applicable 2004A Bonds or portion thereof to be redeemed, plus accrued interest to the date of redemption.

The 2004B Bonds were issued to refund a portion of the County Bonds associated with the system and to pay for the related costs of issuance and refinancing.

Each 2004B Bond maturing on and after October 1, 2015 is subject to redemption on or after October 1, 2014, at the option of the Authority, in whole on any date, or in part by lot on any interest payment date, at a redemption price of 100% of the principal amount of such 2004B Bond or portion thereof to be redeemed plus accrued interest to the date of redemption. The 2004B Bonds bear interest rates ranging from 2.5% to 5 0%, per annum.

The authority issued $32,550,000 and $11,885,007 of commercial paper notes in 2006 and 2005 respectively, at interest rates ranging between 2.10%–3.79%. Rollovers in 2006 totaled $183,935,000. As of December 31, 2006, $44,435,000 of commercial paper notes remained outstanding and is included in the following aggregate debt service to maturity as of December 31, 2006.

Aggregate debt service to maturity as of December 31, 2006 is as follows (in thousands):

Year Ending December 31,	Principal	Interest	Total
2007	$ 3,225	$ 3,503	$ 6,728
2008	3,295	3,422	6,717
2009	3,430	3,323	6,753
2010	3,540	3,203	6,743
2011	3,655	3,061	6,716
2012-2016	20,420	12,612	33,032
2017-2021	24,630	7,100	31,730
2022-2024	13,255	1,154	14,409
	$ 75,450	$ 37,378	$ 112,828

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NCTSC Long-Term Debt

In 1999, the NCTSC issued $294,500,000 of Tobacco Settlement Asset Backed Bonds, Series A pursuant to an Indenture dated as of October 1, 1999. On April 5, 2006, NCTSC issued $431,034,246 of Tobacco Settlement Asset-Backed Bonds, Series 2006 pursuant to an Amended and Restated Indenture dated as of March 1, 2006. The Series 2006 Bonds consist of the "Series 2006A-1 Taxable Senior Current Interest Bonds" of $42,645,000, the "Series 2006A-2 Senior Convertible Bonds" of $37,905,610, the "Series 2006A-3 Senior Current Interest Bonds" of $291,540,000, and the "Series 2006B-E Subordinate CABs" of $58,943,636.

NCTSC has used the proceeds from the Series 2006 Bonds to (i) refund all of the 1999 Bonds currently outstanding in the aggregate principal amount of $272,125,000; (ii) fund a liquidity reserve for the Series 2006 Senior Bonds of $24,009,156; (iii) pay the costs of issuance of the Series 2006 Bonds; (iv) fund certain projected requirements for the Operating Account; (v) fund interest on the Series 2006 Bonds through December 1, 2007 payment; and (vi) pay certain amounts to the Residual Trust as registered owner of the Residual Certificate.

The payment of the Series 2006 Bonds is dependent on the receipt of Tobacco Settlement Revenues ("TSR"). The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the Original Participating Manufacturers ("OPMs"). Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Bond Indenture and amounts established and held in accordance with the Bond Indenture.

Interest on the Series 2006A-1 Bonds, the Series 2006A-2 Bonds, and the Series 2006 A-3 Bonds bear interest at a fixed annual rate, between 5.21% and 6.83% payable semi-annually on June 1 and December 1 until the principal is redeemed. Interest on the Series 2006B-E CABs will bear interest at a rate of 5.80% to 7.35% due and payable at maturity.

The financial statements reflect transactions assuming the Planned Principal Maturity schedule is met. Failure to make a Planned Principal Payment will not constitute default. However, no payments will be made to the County and no additional bonds may be issued unless NCTSC is current on the Planned Principal Payments.

Failure to pay interest on the Series 2006 Bonds when due or principal of the Series 2006 Bonds when due on a Rated Maturity Date will constitute a default. In the event it is determined that revenues exist and debt service requirements and operating expenses are being met on an annual basis, the excess revenues shall be payable to the County of Nassau.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NCTSC Long-Term Debt (Continued)

NCTSC debt service requirements based upon Planned Principal Payments are as follows:

	Principal	Interest	Total Debt Service
Twelve months ending December 31:			
2007	$ -	$ 17,732,822	$ 17,732,822
2008	2,840,000	17,635,836	20,475,836
2009	2,105,000	18,638,765	20,743,765
2010	1,270,000	19,695,308	20,965,308
2011	1,610,000	19,596,956	21,206,956
2012-2016	12,665,000	95,703,732	108,368,732
2017-2021	27,037,555	90,076,877	117,114,432
2022-2026	33,023,055	85,270,027	118,293,081
2027-2031	48,655,000	68,270,220	116,925,220
Thereafter	301,828,636	1,437,841,719	1,739,670,355
	$431,034,246	$ 1,870,462,262	$ 2,301,496,508

Nassau Community College Long-Term Debt

Long-term obligations of the Nassau Community College and Nassau County general obligation serial bonds issued for various College constructions, including the range of interest rates, issue dates, and maturity dates are as follows (dollars in thousands):

	Balance, August 31, 2004	Additions	Reductions	Balance, August 31, 2005	Additions	Reductions	Balance, August 31, 2006	Current Portion
Debt:								
General Obligations	$ 24,734	$	$ 8,801	$ 15,933	$	$ 3,636	$ 12,297	$ 3,617
DASNY	27,293	5,351	3,362	29,282	452		29,734	588
Other:								
Accrued Vacation and Sick Pay	42,066		761	41,305	3,410		44,715	
Insurance Reserve Liability	1,644	48		1,692	82		1,774	
Estimated Liability for Litigation	2,500			2,500			2,500	
Total	$ 98,237	$ 5,399	$ 12,924	$ 90,712	$ 3,944	$ 3,636	$ 91,020	$ 4,205

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Nassau Community College Long-Term Debt (Continued)

Dormitory Authority of the State of New York ("DASNY") - The College has entered into financing agreements with the Dormitory Authority - State of New York (the "Authority" or "DASNY") for the purpose of financing the State's one-half share of various capital construction costs. The Bonds are special obligations of the Authority, payable from amounts to be appropriated each year by the State pursuant to a provision of the State Education Law, and from moneys in the Debt Service Reserve Fund held by the Trustee. The amounts to be appropriated annually are assigned under the agreement from the County to the Authority. The Authority has no taxing power. Accordingly, under the Constitution of the State of New York, the availability of funds to make Annual Payments is subject to annual appropriations being made by the State Legislature. The State Education Law that allows the State to make these appropriations does not constitute a legally enforceable obligation of the State and the State is not legally required to appropriate such funds. The Bonds are not a debt of the State and the State is not liable for them.

The aggregate amount due the Authority under the agreement in each bond year (the "Annual Payments") is equal to debt service on the bonds plus certain administrative and other expenses of the Authority. No revenues or assets of the College or the County have been pledged or will be available to pay the debt service on the bonds. The County has not pledged its full faith and credit to the payments of principal and interest on the bonds. The Authority will not have title to, a lien on or a security interest in any of the projects being financed by the bonds or in other property of the County or College.

General Obligation Serial Bonds - The County of Nassau has issued general obligation serial bonds in the name of the County for various College construction projects. The amount of serial bonds outstanding at August 31, 2006 was $12,297,279 and principal is scheduled to mature from 2007 to 2035. This debt is the obligation of the County. No revenues or assets of the College have been pledged or will be available to pay debt service on the bonds. The County has pledged its full faith and credit to the payment of principal and interest on the bonds. As of August 31, 2006, principal and interest payments relating to the Authority and general obligation bonds are as follows:

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Nassau Community College Long-Term Debt (Continued)

Principal Year Ending August 31,	DASNY	General Obligations	Total
2007	$ 588,117	$ 3,617,227	$ 4,205,344
2008	452,863	2,640,503	3,093,366
2009	1,456,227	1,979,970	3,436,197
2010	1,522,829	1,100,480	2,623,309
2011	1,598,362	658,732	2,257,094
2012-2016	8,047,216	2,112,140	10,159,356
2017-2021	10,897,799	188,227	11,086,026
2022-2026	3,500,112		3,500,112
2027-2031	1,290,905		1,290,905
2031-2035	379,017		379,017
Total	$ 29,733,447	$ 12,297,279	$ 42,030,726

Interest Year Ending August 31,	DASNY	General Obligations	Total
2007	$ 1,389,451	$ 603,392	$ 1,992,843
2008	1,366,433	425,062	1,791,495
2009	1,346,546	297,411	1,643,957
2010	1,280,911	210,925	1,491,836
2011	1,205,679	150,852	1,356,531
2012-2016	5,126,135	281,617	5,407,752
2017-2021	2,987,169	11,068	2,998,237
2022-2026	650,739		650,739
2027-2031	219,934		219,934
2032-2035	16,698		16,698
Total	$ 15,589,695	$ 1,980,327	$ 17,570,022

Interest on the Authority and general obligation bonds range from 3.1% to 5.5% and from 4.25% to 9%, respectively.

NHCC Long-Term Debt

In October 2004, the Series 2004 Bonds were issued to refund the NHCC Series 1999 Revenue Bonds, finance capital projects and pay the costs of issuance, including the required premium of the Bond Insurer. The bond issuance resulted in NHCC receiving approximately $41 million of cash at closing of which $26

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NHCC Long-Term Debt (Continued)

million being available for working capital and $15 million of new capital project financing at closing and approximately $22 million in net present value savings from lower debt service payment requirements. In connection with the refunding, the NHCC incurred a loss of approximately $38 million. The loss (the difference between the reacquisition price and the net carrying amount of the old debt) is carried as a deferred item, net in long-term debt in the accompanying consolidated balance sheet. Amortization of the deferred loss is $2,353,000 for the year ended December 31, 2006.

The County guarantees, to the Trustee, the Owners of Series 2004 Bonds and the Bond Insurer, the full and prompt payment of the principal and interest of Series of 2004 Bonds. The County guaranty may be amended without consent of the bond owners but only with consent of the Bond Insurer. Payments with respect to principal of and interest in the Series 2004 bonds under the County guaranty are required to be made directly by the County to the Trustee. Pursuant to the Stabilization Agreement the County deposits Historical Mission and Article VI Health Center subsidies, payable to the NHCC monthly, in an escrow account reserved for payment of the Series 2004 Bonds. In addition to the County guarantee, the bond payments are insured by a municipal bond insurance policy, through a commercial insurer.

Long-term debt at December 31, 2006 and 2005 consists of the following (dollars in thousands):

	December 31 2006	December 31 2005
2004 Series A Bonds payable at varying dates through August 1, 2022 bearing interest at taxable variable rates.	$ 61,475	$ 63,475
2004 Series B Bonds payable at varying dates through August 1, 2014, at tax-exempt fixed interest rates ranging from 3.0% to 5.0%.	17,506	17,876
2004 Series C Bonds payable at varying dates through August 1, 2029, bearing interest at tax-exempt variable rates.	219,610	219,610
	298,591	300,961
Deferred loss on refunding	(32,502)	(34,855)
Net unamortized bond premium	1,093	1,313
Current portion	(2,380)	(2,370)
	$ 264,802	$ 265,049

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NHCC Long-Term Debt (Continued)

Principal payments are due annually on August 1. Interest payments are due semiannually on February 1 and August 1. Payments applicable to long-term debt for years subsequent to December 31, 2006 are as follows (dollars in thousands):

Years Ending December 31	Principal	Estimated Interest
2007	$ 2,380	$ 11,118
2008	2,390	11,021
2009	7,090	10,869
2010	9,395	10,512
2011	9,840	10,079
2012 to 2016	56,585	43,263
2017 to 2021	69,240	31,360
2022 to 2026	83,595	17,966
2027 to 2029	58,076	3,395
	$ 298,591	$ 149,583

In connection with the issuance of the Series 2004 Bonds, the NHCC entered into interest rate swap agreements with commercial banks to convert the variable interest rate Series C Bonds to a fixed interest rate based on total initial notional amount of $220,000,000. The fixed interest rate paid by the NHCC under the swap agreements is 3.46% and the variable rate received is based on LIBOR. The swap agreements expire on August 1, 2029.

NHCC also entered into a cancelable swap agreement with a commercial bank to convert the variable interest rate Series A Bonds to a fixed interest rate based on an initial notional amount of $65,000,000. The fixed interest rate paid by the NHCC under the swap agreement is 4.61% and the variable rate received is based on LIBOR. The swap agreement expires on August 1, 2012.

The swap agreements expose the NHCC to market risk in the event of changes in interest rates, and credit risk in the event of nonperformance by the counterparty. However, the NHCC believes that the risk of a material impact to its financial condition arising from such events is low. The County guarantees payments to the swap contract counterparties. The fair value of the derivative instruments was an asset of approximately $1,288,000 at December 31, 2006 and a liability of approximately $2,210,000 at December 31, 2005.

10. REFINANCING OF LONG-TERM OBLIGATIONS

Prior to December 31, 2006, the County defeased certain general obligation bonds and Combined Sewer District Bonds by refinancing them and placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of December 31, 2006 and 2005, respectively, approximately $493.5 and $712.1 million of bonds outstanding are considered defeased.

11. PENSION PLANS

Plan Descriptions - The County participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer defined benefit retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy - The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. The State legislature passed legislation in 2000 that suspends the 3% contribution for employees who have 10 years or more of credited service. In addition, members who meet certain eligibility requirement will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Under the authority of the NYSRSSL, the NYS Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by the employers to the pension accumulation fund. The County is required to contribute an actuarially determined amount.

In addition, legislation enacted in New York State during 2004 changed the date by which municipalities are required to make yearly New York State & Local Retirement System contributions, from December 15 to February 1 of the following year. Consistent with GASB's guidance, the County recognized this liability during 2004 for financial reporting purposes. As a result of the new State legislation, which was enacted to grant counties budgetary relief, the Nassau County Legislature established a reserve to fund anticipated higher pension costs in 2006, 2007 and 2008. During 2006, the County used approximately $34.1 million of the Retirement Contribution Reserve Fund to offset a portion the 2006 pension expense. Of the $45.4 surplus in the primary funds that was generated during 2006, the County transferred an additional $16 million to the Retirement Contribution Reserve Fund to fund future pension costs. The use of such funds is under the control of the Nassau County Legislature.

11. PENSION PLANS (Continued)

The required contributions for the current year and two preceding years were (dollars in thousands):

	ERS	PFRS
2006	$ 54,531	$60,497
2005	61,399	56,805
2004	59,092	58,805

12. RECONCILIATION OF GAAP FUND BALANCES TO BUDGETARY BASIS

The following reconciles fund balances at December 31, 2006 as prepared on a GAAP basis to the budgetary basis of reporting (dollars in thousands):

	General	Police District Fund	Police Headquarters Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Sewer & Storm Water District Fund	Nonmajor Governmental Funds
Fund Balances at December 31, 2006 Prepared in								
Accordance with GAAP	$ 142,153	$ 17,184	$ (8 882)	$	$ (111)	$ 3,482	$ 127,666	$ 122,644
Add								
Funding for Tax Certiorari								
and Other Judgments	55,108							
Medicare and Pension Benefits - Accrual Basis Only	1,984	1,805	11,963		220	235	404	
Less								
Encumbrances	(56,324)	(2,845)	(3,081)		(109)	(3,717)	(6,388)	(570)
Payments to Refunded Escrow Agent								
Payments for Tax Certiorari and Other Judgments	(55,108)							
Unbudgeted Grant Fund								(10,839)
Unbudgeted Capital Fund								(15,715)
Unbudgeted NIFA Capital Projects Fund								(31,497)
Unbudgeted NCTSC General Fund								289
Open Space Fund								(489)
Unbudgeted Sewage Disposal Construction Fund								(15,783)
Unbudgeted Sewar and Storm Water District								623
Unbudgeted Sewage Collection Construction Fund								(1,844)
Unbudgeted NCTSC Debt Service Fund								(40,608)
Unbudgeted SFA Debt Service Fund								32,744
Unbudgeted SFA General Fund								(19,514)
Unbudgeted NIFA Debt Service Fund								(18,199)
Fund Balances at December 31, 2006 Prepared on the								
Budgetary Basis of Reporting	$ 87,813	$ 16,144	$	$	$	$	$ 121,682	$ 1,242

12. RECONCILIATION OF GAAP FUND BALANCES TO BUDGETARY BASIS (Continued)

The following reconciles fund balances at December 31, 2005 as prepared on a GAAP basis to the budgetary basis of reporting (dollars in thousands):

	General	Police District Fund	Police Headquarters Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Sewer & Storm Water District Fund	Nonmajor Governmental Funds
Fund Balances at December 31, 2005 Prepared in Accordance with GAAP	$ 153,543	$ 1,150	$ (6,452)	$	$ (33)	$ 833	$ 62,941	$ 346 634
Add								
Proceeds from NIFA Tax Certiorari and Other Judgments Borrowings	260 207							
Pension Benefits - Accrual Basis Only		3,707	6 452		33		995	
Less								
Encumbrances	(67,956)					(833)	(10 854)	(3 826)
Payments to Refunded Escrow Agent								
Payments for Tax Certiorari and Other Judgments	(260,207)							
Unbudgeted Grant Fund								(10,430)
Unbudgeted Capital Fund								(99,843)
Unbudgeted NIFA Capital Projects Fund								(102,384)
Unbudgeted NCTSC General Fund								135
Open Space Fund								(393)
Unbudgeted Sewage Disposal Construction Fund								(10,991)
Unbudgeted Sewar and Storm Water District								(220)
Unbudgeted Sewage Collection Construction Fund								(2,479)
Unbudgeted NCTSC Debt Service Fund								(51,560)
Unbudgeted SFA Debt Service Fund								62,023
Unbudgeted SWA General Fund								(111,470)
Unbudgeted NIFA Debt Service Fund								(14,457)
Fund Balances at December 31, 2005 Prepared on the Budgetary Basis of Reporting	$ 85,587	$ 4,857	$	$	$	$	$ 53,082	$ 739

13. DESIGNATION OF UNRESERVED FUND BALANCES

Portions of the unreserved fund balances at December 31, 2006 and 2005 were designated as sources of revenue in the ensuing year's operating budgets as follows (dollars in thousands)

Nonmajor Governmental Funds	Total Fund Balance Unreserved	Fund Balance Unreserved and Designated for Ensuing Year's Budget	Fund Balance Unreserved and Undesignated
December 31, 2006	$ (177,351)	$	$ (177,351)
December 31, 2005	$ 110,057	$	$ 110,057
Major Governmental Funds			
December 31, 2006	$ 209,616	$ 13,075	$ 196,541
December 31, 2005	$ 130,849	$ 65,454	$ 65,395

14. POST-EMPLOYMENT BENEFITS

Health Insurance - The County provides health care benefits in accordance with New York State Health Insurance Rules and Regulations administered by New York State Department of Civil Service (the NYSHIP plan). The County's several union contracts and ordinances require the County to provide all eligible enrollees with either the NYSHIP plan or other equivalent health insurance. Substantially all of the County's retirees and employees are enrolled in the NYSHIP Plan.

Under the provisions of the NYSHIP Plan, premiums are adjusted on a prospective basis for any losses experienced by the NYSHIP Plan. The County has the option to terminate its participation in the NYSHIP Plan at any time without liability for its respective share of any previously incurred loss.

Eligibility for health benefits upon retirement are governed by Ordinance bargaining unit, age, and years of service. The current CSEA agreement increased the years of service required with the County to be eligible for post retirement health insurance benefits for CSEA members to 10 years of employment with the County; all other bargaining units are eligible after 5 years of service. The County contributes 100% of the health insurance costs for the Government Employees Health Insurance program for all police officers and County employees who retired after December 31, 1975, with the exception of Ordinance employees retired after January 1, 2002 who are required to contribute either 5% or 10% of the cost depending on coverage. For employees who retired prior to December 31, 1975, the County's contribution is reduced in accordance with the union agreement applicable to their respective retirement dates.

14. POST-EMPLOYMENT BENEFITS (Continued)

The County recognizes the expenditure of providing current and postretirement health care benefits in the year to which the insurance premiums apply. NYSHIP plan insurance premiums are billed in advance and therefore the County has recorded a prepaid asset for these amounts at December 31, 2006 and 2005. The total cost for providing health care benefits was $205.5 and $188.2 million in 2006 and 2005, respectively, of which approximately $98.0 and $92.9 million was for retirees and approximately $107.5 and $95.3 million was for active employees and other eligible individuals, in 2006 and 2005 respectively In 2006, the subsidy provided by the Medicare Reform Act of 2003 to employers who continued prescription drug coverage for its Medicare eligible retirees of $7.0 million was recorded as income.

15. CONTINGENCIES AND COMMITMENTS

A. *Claims and Litigation*

The County, its officers and employees are defendants in litigation. Such litigation includes, but is not limited to, actions commenced and claims asserted against the County arising out of alleged torts, alleged breaches of contracts (which include union and employee disputes), condemnation proceedings, medical malpractice actions and other alleged violations of law, including those claims arising from events which occurred prior to the closing date of the Nassau Health Care Corporation of September 29, 1999. The County self-insures for everything except helicopter accidents and employee bonding. The County annually appropriates sums for the settlement of claims and litigation. The County intends to defend itself vigorously against all claims. Estimated liabilities of approximately $225 million for settlement of litigation and malpractice claims have been recorded as a long-term liability in the government-wide financial statement of net assets as of December 31, 2006 and 2005. The County Attorney is of the opinion that the ultimate settlement of such claims and litigation outstanding at December 31, 2006 will not result in a material adverse effect on the County's financial position. Approximately $132.6 and $88.9 million has been accrued as a liability at December 31, 2006 and 2005, respectively, related to workers' compensation where the County Attorney can reasonably estimate the ultimate outcome. The liability for certain other asserted and unasserted malpractice claims can not be estimated as of December 31, 2006. All malpractice occurrences prior to September 29, 1999 are the responsibility of the County. Subsequent occurrences are the responsibility of the NHCC.

B. *Tax Certioraris*

In fiscal 2006 and 2005, respectively, there were approximately 146,439 and 125,014 taxpayers' claims filed against Board of Assessors, for the incorrect determination of assessed valuation (certiorari proceedings) for the 2007 (May 1, 2006) and 2006 (May 1, 2005) assessment roll, respectively. During 2005, NIFA issued approximately $238.1 million of bonds and during 2004, NIFA issued approximately $194.7 million of bonds, on behalf of the County, to fund County tax certioraris judgments and settlements, bringing the total amount of bonds issued and outstanding by both the County and NIFA to approximately $2.7 billion at December 31, 2006 and $2.9 billion at December 31, 2005. This amount has been included with serial bonds reported in the government-wide financial statement of net assets. An amount estimated for future settlements and judgments of $137.2 million and $131.0 million has

15. CONTINGENCIES AND COMMITMENTS (Continued)

B. *Tax Certioraris (Continued)*

also been recorded as a long-term liability in the government-wide financial statements of net assets at December 31, 2006 and 2005, respectively. In prior years, tax certiorari settlements were financed by the issuance of long-term debt or through BANs which are thereafter refinanced by bond issuances. Pursuant to NIFA enabling legislation, beginning in 2006, the County paid substantially all property tax refunds from operating funds. For the year ended December 31, 2006, tax certiorari expenditures were $70.6 million and were substantially financed by operations. For the year ended December 31, 2005, tax certiorari payments were $250.7 million and were substantially financed by $238.1 million of NIFA bonds reported in the government-wide financial statement of net assets. The County utilized the benefit of NIFA's long-term financing by expediting the 2005 payments.

C. *Contingencies under Grant Programs*

The County participates in a number of Federal and State grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. As of December 31, 2006, the audits of certain programs have not been completed. Provisions for certain expected disallowances, where considered necessary, have been made as of December 31, 2006. In the County's opinion, any additional disallowances resulting from these audits will not be material.

D. *Certain Third – Party Reimbursement Matters*

Net patient service revenue of NHCC's health facilities included amounts estimated to be reimbursable by third-party payor programs. Such amounts are subject to revision based on changes in a variety of factors as set forth in the applicable regulations. It is the opinion of NHCC's management that adjustments, if any, would not have a material effect on the County's financial position.

E. *Insurance*

The County carries property insurance on its police helicopters and a blanket fidelity bond covering all County employees. Essentially all other risks are assumed directly by the County. The County suffered no material property losses during 2006 and 2005. Settlements have not exceeded County insurance coverage for each of the past three years.

F. *Accumulated Vacation and Sick Leave Entitlements*

County employees are entitled to accumulate unused vacation leave and sick leave up to certain contractual amounts. At current salary levels, the County's liability for the payment of these accumulations is approximately $536.8 and $615.3 million at December 31, 2006 and 2005, respectively. At August 31, 2006 and 2005, the Nassau Community College's vacation leave and sick leave liability was $44.7 and $41.5 million, respectively.

15. CONTINGENCIES AND COMMITMENTS (Continued)

G. *Deferred Payroll*

The County has entered into agreements with the Civil Service Employees' Association ("CSEA"), the Police Benevolent Association, ("PBA"), Superior Officers Association, ("SOA"), and the Detective Association, Inc. ("DAI"), and certain Ordinance employees, to defer 10 days pay which shall be paid to the employee on separation of service at the salary rate then in effect. The amount deferred at December 31, 2006 and 2005 was approximately $23.1 million and $23.7million, respectively. This deferral is reported as a long-term liability in the government-wide financial statement of net assets, as certain contractual arrangements to provide for the payment of these commitments at specific dates in future fiscal periods. The College, a component unit of the County, entered into a similar agreement in 1992 payable to eligible employees on September 1, 2002. The amount deferred at the College close of August 31, 2006 and 2005 was approximately $1.1 million and $1.2 million, respectively, and is also reported in the government-wide financial statement of net assets. In addition, termination pay for accumulated leave in excess of $5,000 for CSEA and Ordinance members shall be paid by the County in three equal installments of accumulated days on the three consecutive Januarys following termination. The amount deferred at December 31, 2006 and 2005 was approximately $12.6 million and $9 5 million, respectively, and is also reported in the government-wide financial statement of net assets.

H. *Capital Commitments*

At December 31, 2006 and 2005, there were capital project contract commitments of $189.9 and $174.8 million, respectively.

I. *MTA Commitment*

The Metropolitan Transportation Authority ("MTA") paid $121.0 million cumulatively to the County pursuant to a mass transportation funding agreements in return for the County's provision in the future of $242.0 million for capital costs incurred by the MTA in connection with capital improvements and rolling stock. The $121.0 million could be used by the County for any purpose and was recognized in the General Fund in years 1999 and prior The County has authorized capital appropriations of $242.0 million to meet its obligation which was financed by County bond issuances. As of December 31, 2006 and 2005, the County has repurchased and financed $221.0 million of capital improvements and rolling stock and a $21.0 million commitment remains at December 31, 2006 and 2005.

16. NASSAU HEALTH CARE CORPORATION ("NHCC")

Effective September 29, 1999, the Nassau Health Care Corporation (the "NHCC") acquired the "Health Facilities" of the County. The purchase, pursuant to the terms of an acquisition agreement between the NHCC and the County (the "Acquisition Agreement"), resulted in the transfer of all real property owned by the County on which the Nassau University Medical Center and A. Holly Patterson Extended Care are situated, as defined. Additionally, as defined in the Acquisition Agreement, the County assumed the net accounts receivable and the majority of liability balances, as defined, of the Health Facilities which existed on September 28, 1999, as well as commitments to making annual historic mission payments, funding certain capital projects and other costs associated with NHCC

16. NASSAU HEALTH CARE CORPORATION ("NHCC") (Continued)

Going Concern, Liquidity, Stabilization Agreement and Accreditation

At December 31, 2006 and 2005, the NHCC had total net assets deficiency of $85,094 and $77,184, respectively. For the years ended December 31, 2006 and 2005, NHCC had incurred deficiencies of revenue over expenses of $7,910 and $12,213, respectively.

NHCC has undertaken a number of initiatives to stem its operating losses and sustain positive cash flows. NHCC's continued existence is dependent upon returning to profitability, continued progress with collecting on patient accounts, especially those accounts eligible for Medicaid that are being processed by the Department of Social Services, and the successful execution of the successor agreement to the September 30, 2004 Stabilization agreement. NHCC continues to execute actions intended to improve its financial condition. Such actions include continued revenue cycle enhancements, changes to medical management practices, improved supply chain and inventory management and further cost reductions. The ultimate success of these initiatives cannot be determined.

The above matters raise substantial doubt about NHCC's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Joint Commission on Accreditation of Healthcare Organizations (the JCAHO) represents one way of meeting the survey pre-requisite to participation in third-party payor programs, including Medicare and Medicaid. JCAHO conducted its triennial accreditation survey at the Corporation's facilities (NUMC, AHP and the Health Centers) in May 2006. In August 2006, the JCAHO granted AHP full accreditation, while placing NUMC and the Health Centers on conditional accreditation. The assignment of conditional accreditation by the JCAHO required the Corporation to address a series of Requirements for Improvement (RFIs) in order to be substantially compliant with JCAHO standards as well as to provide Evidence of Standards Compliance (ESC) to the JCAHO to demonstrate that these RFIs had been resolved. The JCAHO conducted another survey of the Corporation in April 2007. Based upon the ESC and the results of that survey, the JCAHO awarded full accreditation to NUMC and to the Health Centers in May 2007. NUMC, AHP and the Health Centers are fully accredited by the JCAHO through May 2009.

17. FUND BALANCE SURPLUS/DEFICIT

The following non-major governmental funds reported surplus/deficits as of December 31 (in thousands):

	2006		2005	
Tobacco Settlement Corporation:				
General Fund	$	(289)	$	(135)
Debt Service Fund		40,608		51,560
Total	$	40,319	$	51,425
Sewer Financing Authority:				
General Fund	$	19,514	$	111,470
Debt Service Fund		(32,744)		(62,023)
Total	$	(13,230)	$	49,447

* * * * * *

APPENDIX C

FORM OF BOND COUNSEL OPINION

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FORM OF BOND COUNSEL OPINION

[Letterhead of Orrick, Herrington & Sutcliffe LLP]

December 13, 2007

County of Nassau,
State of New York

Re: County of Nassau, New York

$75,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, SERIES 2007

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Nassau, New York (the "County"), of $75,000,000 aggregate principal amount of Multi-Modal General Obligation Bonds, 2007 Series, dated the Date of Delivery and consisting of $35,000,000 Multi-Modal General Obligation Bonds, 2007 Series A maturing on December 1, 2023 (the "Series A Bonds") and $40,000,000 Multi-Modal General Obligation Bonds, 2007 Series B maturing on December 1, 2024 (the "Series B Bonds", with the Series A Bonds, collectively, the "Bonds"). The Bonds are issued pursuant to the Constitution and statutes of the State of New York and proceedings of the finance board of the County.

In such connection, we have reviewed the Constitution and statutes of the State of New York, the Tax Certificate of the County dated the date hereof (the "Tax Certificate"), the Bond Determination Certificate of the County dated the date hereof (the "County Certificate"), a certified copy of proceedings of the finance board of the County and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the County Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the County Certificate, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue or waiver provisions contained in the documents described in the second paragraph hereof. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding obligations of the County.

2. The County Certificate has been duly executed and remains in full force and effect.

3. The County Legislature has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the County's boundaries subject to taxation by the County for the payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

APPENDIX D
OUTSTANDING OBLIGATIONS

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County of Nassau, New York
General Obligation Bonds of the County, Nassau County Interim Finance Authority Bonds
As of October 31, 2007

Serial General Improvement Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/07
5/1/00	General Improvement Series 2000E	$90,000,000	5.25% -7.00%	2002 -2020	$18,315,000
5/1/00	General Improvement Series 2000F	151,149,000	6.50% -7.00%	2001 -2020	19,840,000
9/1/99	General Improvement Series 1999D	61,964,000	5.25% -5.30%	2001 -2019	4,540,000
7/1/99	General Improvement Series 1999C	138,388,000	5.13% -5.25%	2001 -2019	42,950,000
6/1/99	General Improvement Series 1999B	141,800,000	4.50% -5.25%	2001 -2024	18,680,000
4/1/99	General Improvement Series 1999A	83,256,000	3.50% -4.50%	2000 -2018	18,470,000
8/1/98	General Improvement Series 1998Z	179,272,000	4.00% -5.00%	1999 -2017	29,270,000
3/1/98	General Improvement Series 1998Y	95,168,000	4.00% -5.00%	1999 -2017	24,935,000
10/15/97	General Improvement Series 1997X	88,291,000	4.80% -5.10%	1998 -2016	11,855,000
8/1/97	General Improvement Refunding Series 1997A	110,230,000	3.85% -6.00%	1998 -2013	44,175,000
7/15/97	General Improvement Series 1997W	191,185,000	4.50% -5.00%	1998 -2016	19,340,000
3/1/97	General Improvement Series 1997V	185,365,000	5.13% -5.25%	1998 -2016	26,110,000
11/1/96	General Improvement Series 1996U	89,860,000	5.13% -5.25%	1997 -2015	7,045,000
2/24/94	General Improvement Refunding Series 1994A	93,910,000	6.30% -6.50%	1995 -2013	8,485,000
8/31/93	General Improvement Refunding Series 1993J	168,850,000	2.20% -6.50%	1994 -2015	140,000
6/10/93	General Improvement Refunding Series 1993H	91,350,000	5.50% -5.75%	1994 -2005	2,040,000
11/1/85	General Improvement Series 1985X	7,730,000	3.20% -5.00%	1993 -2008	1,645,000
7/1/85	General Improvement Series 1985W	73,740,000	2.40% -5.50%	1993 -2017	510,000
11/1/84	General Improvement Series 1984V	35,680,000	7.80% -8.00%	1986 -2015	920,000
7/1/84	General Improvement Series 1984U	20,560,000	7.30% -7.40%	1986 -2015	245,000
12/1/83	General Improvement Series 1983T	31,880,000	8.50% -8.80%	1985 -2014	1,860,000
3/1/83	General Improvement Series 1983R	21,980,000	9.00% -9.30%	1985 -2014	1,100,000
12/1/82	General Improvement Series 1982Q	38,230,000	8.50% -8.80%	1984 -2013	200,000
7/1/82	General Improvement Series 1982P	44,080,000	8.00% -8.10%	1984 -2012	500,000
5/1/81	General Improvement Series 1981N	18,860,000	9.38% -9.38%	1983 -2011	395,000
10/1/80	General Improvement Series 1980M	28,060,000	11.25% -11.50%	1983 -2011	700,000
7/15/80	General Improvement Series 1980L	33,530,000	9.10% -10.00%	1982 -2011	30,000
Total					$304,295,000

County Serial Combined Sewer District Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/07
5/1/00	Sewers Series 2000F	$12,832,000	6.25% -7.00%	2001 -2020	$ 1,890,000
9/1/99	Sewers Series 1999E	810,000	5.75% -5.80%	2001 -2019	120,000
7/1/99	Sewers Series 1999D	1,957,000	5.30% -5.50%	2001 -2019	1,340,000
4/1/99	Sewers Series 1999C	1,575,000	4.75% -4.88%	2000 -2018	975,000
8/1/98	Sewers Series 1998B	1,421,000	5.00% -5.00%	1999 -2017	820,000
3/1/98	Sewers Series 1998A	6,766,000	4.90% -5.00%	1999 -2017	2,396,709
11/1/97	Sewers Refunding Series 1997A	20,545,000	4.50% -6.00%	2000 -2013	10,010,000
7/15/97	Sewers Series 1997Y	3,205,000	5.00% -5.00%	1998 -2016	625,000
3/1/97	Sewers Series 1997 X	4,715,000	5.25% -5.38%	1998 -2016	560,000
8/1/96	Sewers Series 1996W	1,960,000	5.25% -5.38%	1997 -2015	435,000
2/24/94	Sewers Refunding Series 1994B	83,835,000	2.20% -6.00%	1994 -2016	19,275,000
8/31/93	Sewers Refunding Series 1993I	29,910,000	3.20% -5.00%	1993 -2008	1,695,000
6/10/93	Sewers Refunding Series 1993G	80,845,000	2.80% -5.45%	1994 -2015	21,670,000
6/10/93	Sewers Refunding Series 1993F	89,665,000	2.40% -5.40%	1993 -2010	10,635,000
6/10/93	Sewers Refunding Series 1993E	35,045,000	2.80% -5.50%	1994 -2016	9,585,000
10/1/80	Sewers Series 1980R	2,455,000	8.70% -9.00%	1981 -2010	240,000
5/1/78	Sewers Series 1978M	37,590,000	6.00% -6.25%	1979 -2008	1,225,000
Total					$83,496,709

County Bonds Issued to the New York State Environmental Facilities Corporation ("EFC")

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/07
3/3/05	EFC Series 2005A	$1,774,980	2.09% -4.57%	2006 -2034	$1,674,980
3/4/04	EFC Series 2004 B	4,065,914	1.06% -4.60%	2004 -2028	3,635,914
7/24/03	EFC Series 2003F	8,506,016	0.77% -4.61%	2004 -2029	7,410,000
3/20/03	EFC Series 2003B	42,530,000	2.54% -6.26%	2003 -2029	35,380,000
8/7/02	EFC Series 2002I	36,018,000	1.81% -5.38%	2003 -2022	29,052,000
7/25/02	EFC Series 2002G	7,380,000	2.03% -5.80%	2003 -2028	6,315,000
6/20/02	EFC Series 2002F	59,220,000	2.52% -6.18%	2003 -2024	48,710,000
12/16/98	EFC Series 1998G	20,780,000	2.95% -4.90%	1999 -2017	8,960,000
10/15/92	EFC Series 1992A	28,870,000	3.00% -6.65%	1993 -2012	3,180,000
10/15/92	EFC Series 1992B	32,869,000	3.25% -6.60%	1993 -2012	4,175,000
5/15/91	EFC Series 1991B	35,010,000	4.75% -7.10%	1992 -2011	422,000
Total					$148,914,894

Nassau County Interim Finance Authority Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding As of 10/31/07
12/15/05	NIFA Series 2005D	$143,795,000	3.25%-5.00%	2007-2025	$143,795,000
7/14/05	NIFA Series 2005C	61,150,000	ARS	2007-2025	61,150,000
7/14/05	NIFA Series 2005B	61,150,000	ARS	2007-2025	61,150,000
7/14/05	NIFA Series 2005A	124,200,000	3.25%-5.00%	2011-2024	124,200,000
12/9/04	NIFA Series 2004 H,I,J,K	337,275,000	ARS	2005-2025	329,355,000
4/8/04	NIFA Series 2004 B,C,D,E,F,G	450,000,000	ARS	2013-2024	450,000,000
4/8/04	NIFA Series 2004A	153,360,000	2.00%-5.00%	2005-2013	143,130,000
5/21/03	NIFA Series 2003 A&B	514,475,000	2.00%-6.00%	2004-2023	457,300,000
7/10/02	NIFA Series 2002 A&B	225,650,000	VRDB	2003-2022	199,620,000
6/27/01	NIFA Series 2001A	181,480,000	4.00%-5.37%	2002-2021	55,955,000
10/25/00	NIFA Series 2000A	254,720,000	4.50%-5.75%	2002-2020	12,845,000
Total					$2,038,500,000

Total County and NIFA Obligations	$2,575,206,603

APPENDIX E
UNDERLYING INDEBTEDNESS OF POLITICAL SUBDIVISIONS WITHIN THE COUNTY

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Underlying Indebtedness of Political Subdivisions Within the County

The estimated gross outstanding bonded indebtedness of other governmental entities and political subdivisions within the County, based on unverified information furnished by such entities, is described below. These figures also include the gross outstanding bonded indebtedness of the County. These figures do not include the indebtedness of the school districts and certain other taxing districts within the County. The figures are shown as of December 31 for each of the years as shown.

FIGURE 1

GENERAL COUNTY GOVERNMENT, TOWNS AND CITIES
COMPUTATION OF DIRECT AND OVERLAPPING NET DEBT
FOR THE FISCAL PERIODS ENDED AS SHOWN (DOLLARS IN THOUSANDS)

	2004	2003	2002	2001	2000
DIRECT DEBT, COUNTY OF NASSAU					
General Government					
Bonds	$3,091,974 *	$2,933,339 *	$2,870,029 *	$2,868,307 *	$2,911,365
Other Debt Obligations	0	0 *	202,155 *	465,965 *	224,360
Total	3,091,974	2,933,339	3,072,184	3,334,272	3,135,725
Sewage Disposal District #1					
Bonds	0	11,027	11,550	12,280	13,123
Other Debt Obligations	0	0	0	0	0
Total	0	11,027	11,550	12,280	13,123
Sewage Collection District #1					
Bonds	0	2,089	2,221	2,417	2,610
Other Debt Obligations	0	0	0	0	0
Total	0	2,089	2,221	2,417	2,610
Sewage Disposal District #2					
Bonds	0	150,218	169,994	184,629	199,432
Other Debt Obligations	0	0	0	0	0
Total	0	150,218	169,994	184,629	199,432
Sewage Collection District #2					
Bonds	0	25,296	27,496	29,999	32,539
Other Debt Obligations	0	0	0	0	0
Total	0	25,296	27,496	29,999	32,539
Sewage Disposal District #3					
Bonds	0	120,931	131,331	150,347	163,986
Other Debt Obligations	0	0	0	0	0
Total	0	120,931	131,331	150,347	163,986
Sewage Collection District #3					
Bonds	0	106,886	122,659	139,477	156,949
Other Debt Obligations	0	0	0	2,696	2,696
Total	0	106,886	122,659	142,173	159,645
Sewer & Storm Water District Fund					
Bonds	400,458	0	0	0	0
Other Debt Obligations	0	0	0	0	0
Total	400,458	0	0	0	0
Total Direct Debt,					
County of Nassau					
Bonds	3,492,432	3,349,786	3,335,280	3,387,456	3,480,004
Other Debt Obligations	0	0	202,155	468,661	227,056
Total	$3,492,432	$3,349,786	$3,537,435	$3,856,117	$3,707,060

*Beginning with fiscal year 1999, County of Nassau direct debt also includes blended component units, NHCC (proprietary component unit) and DASNY debt SOURCE County of Nassau, Comprehensive Annual Financial Report of the Comptroller for Fiscal Years ended December 31, 2005 and 2004 (including data received from respective towns and cities as to which the County makes no representations) Such data for 2005 and later is not yet available

FIGURE 2
GENERAL COUNTY GOVERNMENT, TOWNS AND CITIES
COMPUTATION OF DIRECT AND OVERLAPPING NET DEBT
FOR THE FISCAL PERIODS AS SHOWN
(DOLLARS IN THOUSANDS)

	2004	2003	2002	2001	2000
OVERLAPPING DEBT, TOWNS AND CITIES:					
Town of Hempstead					
Bonds	$988,954	$871,471	$801,123	$737,337	$724,874
Other Debt Obligations	77,920	152,269	90,467	113,413	29,488
Less Sinking Funds	(1,605)	(1,611)	(1,511)	(1)	(1,501)
Total	1,065,269	1,022,129	890,079	850,749	752,861
Town of North Hempstead:					
Bonds	599,574	619,421	487,111	430,789	435,450
Other Debt Obligations	63,990	98,143	135,633	109,528	42,656
Less Sinking Funds	(114)	(53)	(53)	0	(95)
Total	663,450	717,529	622,691	540,317	478,011
Town of Oyster Bay:					
Bonds	626,207	566,167	502,638	453,624	362,325
Other Debt Obligations	76,152	74,153	62,479	106,283	115,952
Less Sinking Funds	-	871	(871)	0	0
Total	702,359	639,449	564,246	559,907	478,277
City of Glen Cove:					
Bonds	34,605	28,530	32,309	37,765	38,248
Other Debt Obligations	16,054	19,115	17,661	7,377	5,794
Total	50,659	47,645	49,970	45,142	44,042
City of Long Beach:					
Bonds	64,673	34,204	37,275	40,205	27,758
Other Debt Obligations	0	10,000	4,065	7,050	13,312
Less Sinking Funds	-	(418)	(576)	(781)	(1,033)
Total	64,673	43,786	40,764	46,474	40,037
Total Overlapping Debt, Towns and Cities:					
Bonds	2,314,013	2,119,793	1,860,456	1,699,720	1,588,655
Other Debt Obligations	234,118	353,680	310,305	343,651	207,202
Less Sinking Funds	(1,719)	(2,935)	(3,011)	(782)	(2,629)
Total	2,546,412	2,470,538	2,167,750	2,042,589	1,793,228
TOTAL DIRECT & OVERLAPPING NET DEBT:					
Bonds	5,806,445	5,439,579	5,195,736	5,087,176	5,068,659
Other Debt Obligations	234,116	353,680	512,460	812,312	434,258
Less Sinking Funds	(1,719)	(2,935)	(3,011)	(782)	(2,629)
Total	$6,038,842	$5,820,324	$5,705,185	$5,898,706	$5,500,288

SOURCE County of Nassau Comprehensive Annual Financial Report of the Comptroller for Fiscal Years ended December 31, 2005 and 2004 (including data received from respective town and cities as to which the County makes no representations) Such data for 2005 and later is not yet available

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APPENDIX F
COUNTY WORK FORCE

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COUNTY WORKFORCE

As of November 8, 2007, the full-time County workforce totaled 8,847, including 8,787 direct County employees and 60 contract employees. This represents a decrease of 628 full-time positions when compared to January 1, 2002 and is evidence of the County's workforce reduction initiative.

County Employees

County employees are represented by five labor organizations recognized under the provisions of the New York State Taylor Law. These are the Nassau County Civil Service Employees Association ("CSEA"), the Nassau County Police Benevolent Association ("PBA"), the Detectives Association, Inc. ("DAI"), the Superior Officers Association ("SOA") and the Sheriff Officers Association ("ShOA"). The following table summarizes labor organization enrollment:

Full Time County Workforce as of November 8, 2007

Labor Organization	Full-Time Employees
CSEA	4,430
PBA	1,762
DAI	408
SOA	424
ShOA	1,035
Non-Labor Organization	788
Total	**8,847**

Civil Service Employees Association (CSEA)

The CSEA represents all County titles other than those represented by the other unions and those titles classified as management or confidential. The County negotiated an agreement with the CSEA on a labor contract for the period from January 1, 2003 through December 31, 2007, that subsequently was ratified by the union membership and approved by the County Legislature on August 15, 2003.

The agreement contained the following key provisions:

- Contained no wage increase for the retroactive component of the contract term (January 1, 2003 through June 30, 2003) and a 2.5% increase on July 1, 2003;
- Tied all future wage increases after 2003 to inflation (June-June annual growth in the New York Region CPI-U), with a maximum annual increase of 3.5% and a minimum annual increase of 2.5%;
- Imposed a mandatory buyback of duplicate health insurance coverage for employees whose spouses also work for the County and who also are members of the CSEA;
- Lengthened the workday by 15 minutes for those employees previously working less than 37.5 hours per week;

- Established hazardous duty pay for certain job classes;
- Capped compensatory time accumulation at 240 hours;
- Included domestic partners in all benefits currently received by married spouses of County employees; and
- Contained a gain-sharing provision that would encourage the implementation of health insurance reform measures to generate savings that would be shared by the County and CSEA employees.

The wage package is as follows:

Effective Date	Wage Increase
1/01/03	0.0 %
7/01/03	2.5 %
1/01/04	2.8 %
1/01/05	3.5 %
1/01/06	2.5 %
1/01/07	3.5 %

Police Benevolent Association (PBA)

The PBA represents all of the County's full-time police officers. On July 2, 2007, the panel for the PBA interest arbitration issued its award to both parties, covering the six-year period from January 1, 2007 through December 31, 2012. The contract established by the award contained the following key provisions:

- Contained an average annual cost-of-living increase across the police ranks of 2.96% (16.5% total wage increase over 6 years);
- The annual wage increase (to be awarded on April 1 of each year) is as follows -- Steps 1 to 2 (0.0 %), Steps 3 to 8 (1.0%), Step 9 (4.0%)
- Added one step to the compensation plan;
- Further minimum staffing relief ;
- Termination pay cap at no greater than twice an officer's final year salary;
- Revised calculation denominator for termination pay that reflects a 5% reduction from current levels;
- The ability for the County to civilianize approximately 30 positions currently occupied by sworn officers;
- Elimination of dual County health insurance coverage when an officer's spouse or domestic partner is also covered in the County's health insurance plan;

- Establishment of a benefit fund to be managed by the PBA to secure dental and optical benefits for members in lieu of County coverage; and

- Increased annual longevity payments for officers.

Detectives Association, Inc. (DAI)

The Detectives Association, Inc. ("DAI") unionized employees are currently working without a contract. On September 14, 2004, the panel for the DAI interest arbitration issued its award, covering the six-year period from January 1, 2001 through December 31, 2006.

The contract established by the award contained the following key provisions:

- Contained an 18-month wage freeze, including no retroactive wage increase for 2001 and a six-month wage freeze in 2005 (19.5% total wage increase over 6 years);

- Reduced paid shift differential by 3.5 hours, such that "night shift" premiums no longer begin before noon;

- Eliminated Flag Day as a paid holiday;

- Added 48 hours of work per year – paid at straight time – from each member of the bargaining unit;

- Eliminated travel time;

- Reduced the hourly rate of pay used to calculate holiday pay, overtime, and shift differential by 6.5%;

- Reduced the per-diem rate of pay used to calculate termination pay by 6.5%;

- Modified the longevity pay system to mirror that of Suffolk County;

- Created a non-pensionable education bonus for DAI members with a 4-year college degree; and

- Established a single shift differential rate of 12%.

The wage package is as follows:

Effective Date	Wage Increase
1/01/01	0.0 %
1/01/02	3.9 %
1/01/03	3.9 %
1/01/04	3.9 %
7/01/05	3.9 %
7/01/06	3.9 %

Superior Officers Association (SOA)

On January 24, 2005, the panel for the SOA interest arbitration issued its award, covering the six-year period from January 1, 2002 through December 31, 2007.

The contract established by the award contained the following key provisions:

- Contained an 18-month wage freeze, including no retroactive wage increase for 2002 and a six-month wage freeze in 2006 (19.5% total wage increase over 6 years);
- Reduced paid shift differential by 3.5 hours, such that "night shift" premiums no longer begin before noon;
- Eliminated Flag Day as a paid holiday;
- Added 48 hours of work per year – paid at straight time – from each member of the bargaining unit effective January 1, 2006;
- Eliminated travel time;
- Reduced the hourly rate of pay used to calculate holiday pay, overtime, and shift differential by 6.5%;
- Reduced the per-diem rate of pay used to calculate termination pay by 6.5%;
- Modified the longevity pay system to mirror that of Suffolk County;
- Created a non-pensionable education bonus for SOA members with a 4-year college degree; and
- Established a single shift differential rate of 12%.

The wage package is as follows:

Effective Date	Wage Increase
1/01/02	0.0 %
1/01/03	3.9 %
1/01/04	3.9 %
1/01/05	3.9 %
7/01/06	3.9 %
7/01/07	3.9 %

Sheriff Officers Association (ShOA)

The Sheriff Officers Association ("ShOA") unionized employees are currently working without a contract. These include the correction officers and supervisors who maintain security in the Nassau County Correctional Center. In 2005, the County Executive and ShOA reached an agreement that was rejected by the County Legislature. Negotiations between the bargaining unit and the County are ongoing.

The prior ShOA contract covered the term from January 1, 1998 through December 31, 2004. Key provisions of this contract included:

- Required that the first 16 hours of overtime worked each year be paid as compensatory time;
- Mandated that all new hires work an additional five days for extra training during their first three years of service;
- Shifted the effective date of step increases from January 1st of each year to each employee's anniversary date of initial employment;
- Authorized the County to civilianize up to 55 positions currently held by ShOA members;
- Eliminated Flag Day as a paid holiday; and
- Established a new sick leave management program.

The wage package was as follows:

Effective Date	Wage Increase
7/01/98	2.0%
7/01/99	3.0%
7/01/00	3.0%
7/01/01	3.5%
7/01/02	3.0%
1/01/03	8.9%
7/01/03	1.0%
1/01/04	2.0%

Nassau Community College Employees

Not considered employees in the Major Operating Funds, members of the Nassau Community College Federation of Teachers ("NCCFT") and the Adjunct Faculty Association ("AFA") total 743 full-time faculty and 3,624 part-time faculty, respectively. The contract for the NCCFT expires on August 31, 2008. There is a memorandum of understanding extending the contract for 3 years that has been approved by the NCCFT and the NCC Board of Trustees. The contract for the AFA expires on September 30, 2010.

The wage package of the NCCFT is:

Effective Date	Wage Increase
9/01/05	1.92%
9/01/06	2.35%
9/01/07	2.18%

The wage package for the AFA is:

Effective Date	Wage Increase
11/01/05	3.9%
9/01/06	3.9%
9/01/07	3.9%
9/01/08	3.9%
9/01/09	3.9%

APPENDIX G
COUNTY MANAGEMENT ORGANIZATION CHART

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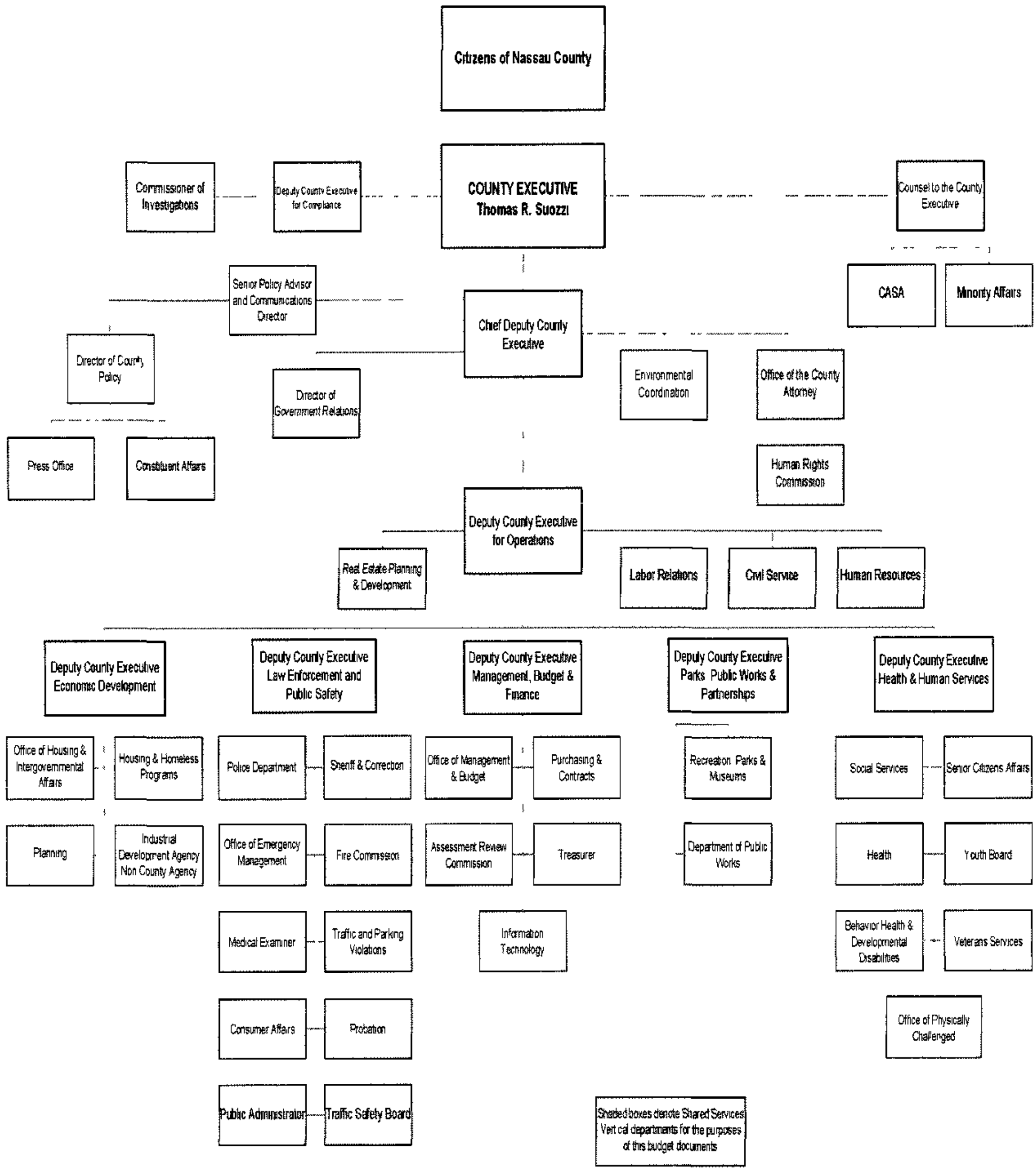
COUNTY ORGANIZATION CHART



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APPENDIX H

ECONOMIC AND DEMOGRAPHIC profile

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Overview

Established in 1899, Nassau County (the "County") is the site of some of New York State's (the "State") earliest colonial settlements, some of which date to the 1640's. With a total land area of 287 square miles and a population of over 1.3 million, the County is bordered to the west by the New York City borough of Queens, to the east by Suffolk County, to the north by Long Island Sound and to the south by the Atlantic Ocean. Together, the northern and southern boundaries of the County comprise nearly 188 miles of scenic coastline. The County includes 3 towns, 2 cities, 64 incorporated villages, 56 school districts and various special districts that provide fire protection, water supply and other services. Land uses within the County are predominantly single-family residential, commercial and industrial.

Population

The County's population has experienced two major growth periods over the past 100 years and reached a peak of approximately 1,428,080 residents in 1970. By 1990, the County's population had decreased by 10% to 1,287,348 residents. In 2000, the County population had increased by 3.6% to approximately 1,334,544 residents. Based upon U.S. Census Bureau data, residents over 75 years of age are the fastest growing segment of the population, increasing by 125% from 42,100 in 1970 to 94,880 in 2000. Table 1 below shows the County's population from 1970 to 2005. Based upon information from the Long Island Power Authority 2006 Population Survey, the County's population continued to increase slightly through 2005 to an estimated 1,351,660.

TABLE 1

COUNTY POPULATION, 1970-2005

Year	Population
2005	1,351,660
2000	1,334,544
1990	1,287,348
1980	1,321,582
1970	1,428,080

SOURCES: U.S. Census, 1970-2000; Long Island Power Authority Population Survey, 2006

Economic Indicators

As shown on Table 2 below, according to the U.S. Census Bureau the County's household median income for 2005 of $80,293 is significantly higher than those of the State ($49,480) and the United States as a whole ($46,242). Moreover, the County (4.0%) has a smaller percentage of families below the poverty level than the State (11.1%) and the nation (10.2%).

TABLE 2

COUNTY ECONOMIC INDICATORS IN COMPARISON TO THE STATE AND THE U.S.

Area	Median Household Income	Families Below Poverty (%)
County	$80,293	4.0
State	49,480	11.1
United States	46,242	10.2

SOURCE: U.S. Census, 2005 American Community Survey

Income and Purchasing Power

Effective Buying Income

According to the 2005 Survey of Buying Power and Media Markets published by *Sales & Marketing Management*, the County had the highest total effective buying income ("EBI") of any county in the State and ranks second only to Putnam County for percentage of households with an EBI above $50,000. Table 3 below compares EBI data by group in the County with Suffolk County, New York City and the State. Slightly more than 60% of County households have an EBI of $50,000 or more, while less than 24% have an EBI of less than $35,000. EBI is defined as income less personal tax and non-tax payments and is often referred to as "disposable" or "after-tax" income.

TABLE 3

COMPARISON OF EFFECTIVE BUYING INCOME IN THE STATE

Area	Total EBI	Median Household EBI Income	% of Households by EBI Group $20K-34.9K	$35-49.9K	$50K+
Nassau County	$ 36,223,193	$59,324	12.8	15.7	60.3
Suffolk County	33,158,123	54,805	14.5	17.9	55.8
New York City	154,497,066	34,965	20.6	17.1	32.9
New York State	382,732,849	38,462	20.7	18.2	37.1

SOURCE: Sales & Marketing Management, 2005 Survey of Buying Power and Media Markets

Consumer Price Index

The Consumer Price Index ("CPI") represents changes in prices of all goods and services purchased for consumption by households over time and is often used to gauge levels of inflation. CPI includes user fees such as water and sewer service and sales and excise taxes paid by the consumer, but does not include income taxes and investment items such as stocks, bonds, and life insurance. Annual totals and increases in the CPI for both the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA Consolidated Metropolitan Statistical Area ("CMSA") and U.S. cities between the years 1997 and 2006 are shown in Table 4 below.[(1)]

As indicated in Table 4 below, prices in the CMSA rose by 3.8% over 2006, marking a slight decrease in the annual percentage change. 2006 is the first year since 2001 in which the percentage change in the CPI for the region did not increase. Similarly prices increased by only 3.2% in U.S. cities in 2006, marking a decline in the annual percentage change

TABLE 4

CONSUMER PRICE INDEX, 1997-2006

Year	U.S. City Average (1,000s)	Percentage Change	NY-NJ-CT-PA CMSA (1,000s)	Percentage Change
2006	201.6	3.2%	220.7	3.8%
2005	195.3	3.4%	212.7	3.9%
2004	188.9	2.7%	204.8	3.5%
2003	184.0	2.3%	197.8	3.1%
2002	179.9	1.6%	191.9	2.6%
2001	177.1	2.8%	187.1	2.5%
2000	172.2	3.4%	182.5	3.1%
1999	166.6	2.2%	177.0	2.0%
1998	163.0	1.6%	173.6	1.6%
1997	160.5	2.3%	170.8	2.3%

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

Retail Sales and Business Activity

The County is served by six major regional shopping centers: Broadway Mall in Hicksville, Roosevelt Field in Garden City, Green Acres Mall in Valley Stream, Americana Manhasset in Manhasset, Sunrise Mall in Massapequa and the Simon Mall at the Source in Westbury. According to the International Council of Shopping Centers, a global trade association of the shopping center industry, these regional malls feature a total of 6,889,934 square feet of gross leaseable area.

(1) Throughout this document references are made to the U.S. Office of Management and Budget's definitions of metropolitan areas that are applied to U.S. Census Bureau data. These areas include Metropolitan Statistical Areas ("MSAs"), Consolidated Metropolitan Statistical Areas ("CMSAs") and Primary Metropolitan Statistical Areas ("PMSAs"). An MSA is a county or group of contiguous counties that contains at least one city with a population of 50,000 or more people, or a Census Bureau-defined urbanized area of at least 50,000 with a metropolitan population of at least 100,000. An MSA with a population of one million or more and which meets various internal economic and social requirements is termed a CMSA, consisting of two or more major components, each of which is recognized as a PMSA. For example, the Nassau-Suffolk PMSA is part of the New York-Northern New Jersey – Long Island, NY-NJ-CT-PA CMSA.

The County boasts a wide range of nationally recognized retailers that provide goods and services, including home furnishing stores, supermarkets and gourmet food markets, electronics and bookstores. Major retailers in the County include Saks Fifth Avenue, Bloomingdales, Lord & Taylor, Nordstrom's, Macy's, Fortunoff's, Sears, JC Penney, Marshalls, Old Navy, Kohl's and Target. Commercial outlet stores in the County include, but are not limited to Costco, Bed, Bath & Beyond and Best Buy. In addition, there are in the County designer boutique shops and specialty department stores such as Barneys, Brooks Brothers, Giorgio Armani, Ralph Lauren and Prada, and jewelers such as Tiffany & Co., Cartier and Van Cleef & Arpels.

Many of the County's downtowns enjoy vibrant economic activity. Downtowns such as Franklin Avenue in Garden City and Fulton Avenue in the Village of Hempstead provide goods and services from local merchants and regional stores to area residents.

Based on the 2002 Economic Census, the County ranked second in the State to New York City in retail sales activity (see Table 5).

TABLE 5

RETAIL SALES ACTIVITY RANKED BY COUNTY IN THE STATE
(in thousands)

	2002 Rank	2002 Retail Sales	1997 Rank	1997 Retail Sales
New York (Manhattan)	1	$26,431,688	1	$19,964,095
Nassau	**2**	**20,048,923**	**2**	**16,876,869**
Suffolk	3	18,884,440	3	13,879,345
Westchester	4	12,055,687	4	9,438,521
Queens	5	11,733,654	5	9,237,429
Kings	6	11,397,935	6	8,407,009
Erie	7	10,053,437	7	8,224,419
Monroe	8	7,612,733	8	6,681,881
Onondaga	9	5,451,227	9	4,485,858
Albany	10	4,581,206	10	3,634,657

SOURCE: U.S. Census, Retail Trade

Employment

According to the State Department of Labor, the County had a workforce of approximately 670,800 employees in 2006. The current unemployment rate in the County of 3.7% shows a moderate decrease from the 4.1% recorded in 2005. Table 6 compares employment totals and unemployment rates for the County with adjoining municipalities, the State and the United States. 2006 marked the eleventh consecutive year in which the County's unemployment rate was less than Suffolk County (3.9%), New York City (4.9%), the State (4.5%) and the United States (4.6%).

TABLE 6

ANNUAL AVERAGE EMPLOYMENT (in thousands) AND UNEMPLOYMENT RATE (%), 1997 – 2006

Year	Nassau County		Suffolk County		New York City		New York State		United States	
	Employ-ment	Unemployment-Rate	Employ-ment	Unemploy-ment Rate	Employ-ment	Unemploy-ment Rate	Employ-ment	Unemploy-ment Rate	Employ-ment	Unemploy-ment Rate
2006	670 8	3 7	755 1	3 9	3,616 0	4 9	9,122 0	4 5	136,174	4 6
2005	666 2	4 1	746 7	4 2	3,519	7 0	8,944	5 0	141,730	5 1
2004	687 3	4 5	767 5	4 7	3,720	7 1	9,355	5 8	139,252	5 5
2003	718 5	3 9	733 2	4 4	3,715	8 3	9,300	6 4	137,736	6 0
2002	683 3	4 1	724 8	4 4	3,731	8 0	9,311	6 2	136,485	5 8
2001	674 1	3 1	711 9	3 5	3,666	6 0	9,178	4 9	136,933	4 7
2000	677 7	2 7	707 0	3 2	3,664	5 8	9,180	4 5	136891	4 0
1999	699 2	3 0	704 4	3 6	3,621	6 9	9,134	5 2	133,488	4 2
1998	696 4	2 9	697 7	3 5	3,568	7 9	9,059	5 7	131,463	4 5
1997	693 4	3 5	686 7	4 3	3,524	9 4	8,998	6 5	129,558	4 9

SOURCES: Compiled by the County from: New York State Department of Labor; U.S. Department of Labor, Bureau of Labor Statistics

Key Employment Trends

As indicated in Table 7, the annual average employment in non-farm jobs by industry for the years 1999 through 2006 in the Nassau-Suffolk PMSA[3] remains strong. Industries that achieved their highest level of employment in eight years include: natural resources, construction and mining, educational and health services, professional and business services, leisure and hospitality, , other services and government. Eighty-eight percent of jobs within the PMSA are in service producing industries. Within the goods producing category, manufacturing jobs have remained virtually constant over the past year and decreased by a total of 17.4% since 1999. Meanwhile, jobs within the natural resources, construction and mining industries have increased by 26% since 1999.

Most industries within the service producing sector experienced little change over the year with the largest gains made in the educational and health services (1.4%) and the professional and business services categories (2.9%). Moreover, since 1999 the educational and health services sector has achieved a 15.2% increase in jobs while during the same period the leisure and hospitality sector increased by 17.3%.

(3) Prior to 2004, statistical information compiled by the U.S. Census Bureau, the U.S. Department of Labor and other sources was compiled on the basis of MSAs, including the Nassau-Suffolk PMSA. Beginning in 2004, the U.S. Office of Management and Budget revised its geographic Census definitions and replaced MSAs with Core Based Statistical Areas ("CBSAs"). The County is now part of the New York-Newark-Edison, NY-NJ-PA CBSA.

TABLE 7
ANNUAL AVERAGE
NASSAU-SUFFOLK EMPLOYMENT,
NON-FARM, BY BUSINESS SECTOR,
1999-2006
(in thousands)

Nassau-Suffolk Employment by Industry	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
				Goods Producing				
Natural Resources Construction & Mining	57.5	61.0	62.4	64.3	64.2	65.6	66.4	69.4
Manufacturing	105.7	105.5	98.9	92.1	88.2	88.1	87.3	85.9
Total Employment Goods-Producing	163.2	166.5	161.2	156.4	152.5	153.6	153.7	155.3
				Service Producing				
Trade, Transportation & Utilities	267.1	273.1	271.9	267.5	270.3	271.9	271.2	270.5
Financial Activities	85.5	84.2	81.4	82.0	82.0	83.5	81.9	80.0
Information	30.7	31.8	32.9	32.5	32.9	28.9	29.4	29.8
Educational and Health Services	175.6	178.5	180.9	187.5	193.2	196.8	199.5	202.3
Leisure & Hospitality	82.8	86.0	88.8	90.1	92.8	96.1	95.7	96.9
Other Services	50.8	52.1	49.7	50.1	50.8	51.1	52.1	52.0
Professional & Business Services	148.7	155.6	157.7	153.1	152.0	154.2	158.4	163.0
Government	185.7	190.2	194.1	196.3	198.9	197.6	198.5	199.0
Total Service Producing	1,027.0	1,051.5	1,057.4	1,059.1	1,070.2	1,080.0	1086.9	1093.4
Total Non-Farm	1,190.2	1,218.0	1,218.6	1,215.5	1,222.2	1,233.5	1,240.6	1248.7

SOURCE: New York State Department of Labor

Note: Totals may not add due to rounding.

The percentage of jobs within each category remains fairly consistent with national figures. Table 8 compares the employment sectors in the Nassau-Suffolk PMSA to the national employment rates by industry. Nationwide, 18% of jobs were in the goods producing sector compared to 10% in the Nassau-Suffolk PMSA.

TABLE 8

PERCENTAGE OF NON-FARM EMPLOYMENT BY BUSINESS SECTOR, 2006

Business Sector	Nassau-Suffolk PMSA (%)	United States (%)
Goods Producing		
Natural Resources*, Construction & Mining	5	7
Manufacturing	5	11
Total Goods Producing	10	18
Service Providing or Service Producing***		
Trade, Transportation & Utilities	23	20
Financial Activities* or Finance, Insurance & Real Estate**	9	6
Assorted Services	43	41
Government	15	16
Total Service Providing / Producing	90	82

SOURCES: Compiled by the County from: New York State Department of Labor (Nassau-Suffolk PMSA) and the U.S. Department of Labor, Bureau of Labor Statistics (United States).
*Nassau-Suffolk PMSA
**United States

Major County Employers and Key Employer Trends

Consistent with recent job growth in the educational and health services and leisure and hospitality industries, the County's largest employer, with a work force of approximately 31,000, is the North Shore-Long Island Jewish Health System based in Great Neck (see Table 9 below for the County's major commercial and industrial employers).

TABLE 9

MAJOR COUNTY COMMERCIAL AND INDUSTRIAL EMPLOYERS

Employer	Type	Approx. no. Employees
North Shore-Long Island Jewish Health System	Health Care	31,000*
Winthrop – South Nassau University Health System	Health Care	7,579
Stop & Shop	Food Retailing	7,000
Cablevision	Entertainment	6,300
Adecco	Workforce Staffing	5,600
Verizon	Communications	5,300
Waldbaum's (A&P Stores)	Food Retailing	5,100
Pathmark Stores	Food Retailing	4,600
King Kullen Grocery	Food Retailing	4,500

SOURCES: Compiled by the County from: ProQuest Database supplied by Newsday

*Number includes only employees who work in the County.

Construction Activity

Table 10 below is a composite list of construction activity in the County for residential, business, industrial and public building construction from the years 1997 through 2006. Overall building activity has been uneven since 1996, reaching its high point in 2000 with 1,887 permits issued. In 2003 the number of permits issued had decreased to 800. The County's construction activity rebounded in 2005 as evidenced by the 1,710 permits issued that year. In 2006, building activity was slower with only 1,263 building permits issued for new construction.

TABLE 10

COUNTY CONSTRUCTION ACTIVITY, 1997-2006

Year	Single-Family Dwellings	Other Housing Units*	Business Buildings	Industrial Buildings	Public Buildings	Total Buildings
2006	940	291	27	1	4	1,263
2005	921	748	37	1	3	1,710
2004	771	577	23	4	8	1,383
2003	564	203	23	2	8	800
2002	603	482	24	2	5	1,116
2001	614	884	30	21	16	1,565
2000	790	1,009	58	21	9	1,887
1999	639	540	34	8	16	1,237
1998	746	563	42	5	13	1,369
1997	860	862	56	14	7	1,799
Totals	7448	6159	354	79	89	14,129

SOURCE: Nassau County Planning Commission

*Other housing units includes two-family, multi-family dwellings and conversions.

Table 11 below lists the number and estimated dollar value of building permits issued for Class 4 property in the County for the years 2002 through 2006. Class 4 property includes commercial, industrial, institutional buildings and vacant land. As indicated in the table, there were 32 building permits issued for these categories in both 2006 and 2002. Over the same period, the County saw a 298.5% increase in estimated value on such permits.

TABLE 11

NUMBER AND VALUE OF BUILDING PERMITS IN THE COUNTY, CLASS 4 PROPERTY, 2002 – 2006

Year	Number of Permits Issued	Estimated Value on Permits
2006	32	$59,862,365
2005	42	29,535,410
2004	15	7,339,475
2003	33	25,043,100
2002	32	20,052,498

SOURCE: Nassau County Planning Commission.

According to the CoStar Office Report (December 2006) provided by Greiner-Maltz Company, in 2006 the County had 1,476 office buildings containing a total of approximately 43.7 million square feet. The vacancy rate decreased from 10.0% at the end of 2005 to 9.7% during 2006. There were 91 Class A buildings and 475 Class B buildings in the County. Class A buildings showed a 11.3% vacancy rate while 10.2% of the Class B building space was vacant. More than 141,000 square feet of new office space construction was completed during 2006, and 325,000 square feet of office space was under construction in December 2006.

Housing

In 2006 new residential construction activity in the County did not change appreciably The value of new residential construction over the same period decreased slightly (1.3%) . In 2006 the County issued more building permits than in any of the previous five years.

TABLE 12

COUNTY NEW RESIDENTIAL CONSTRUCTION ACTIVITY, 1997 - 2006

Year	Value of New Residential Construction (in thousands)	No. of New Dwelling Units By Building Permit
2006	$368,875	1,452
2005	373,879	1,435
2004	293,642	1,177
2003	195,435	978
2002	222,722	985
2001	229,464	989
2000	266,259	1,506
1999	199,433	1,151
1998	189,668	1,021
1997	188,345	1,372

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch.Table 13 shows the breakdown of new housing units by housing type and size. In 2006 the County showed a 7.85% increase in the construction of single-family dwellings.

TABLE 13

NUMBER OF COUNTY NEW RESIDENTIAL HOUSING UNITS AUTHORIZED BY BUILDING PERMIT BY SIZE CATEGORY, 1997- 2006

Year	1 Family	2 Family	3-4 Family	5 or more Family	Total
2006	1,291	38	4	119	1,452
2005	1,197	44	7	187	1,435
2004	735	68	0	374	1,177
2003	635	44	8	291	978
2002	740	30	3	212	985
2001	688	32	4	265	989
2000	753	142	6	605	1,506
1999	730	50	3	368	1,151
1998	770	34	4	213	1,021
1997	925	42	34	371	1,372

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch.

According to the 2000 U.S. Census, the number of housing units in the County increased by 3%, from 446,292 in 1990 to 458,151 in 2000. The County (80%) had a higher percentage of owner-occupied units than the State (66%) and the nation (53%) as a whole.

Housing prices and sales have been one of the County's strongest economic indicators over the last several years (see Table 14). Median home prices in the County have increased by more than 100% from 2000 to 2006. Additionally, in 2006, the County reached a high for annual median sales price ($513,866). According to the Multiple Listing Service of Long Island, the median value of owner-occupied homes in the County ($513,866) was much higher than that of the nation ($221,900).

TABLE 14

COUNTY HOME SALES, 1997-2006

Year	Median Sales Price	No. of Homes Sold
2006	$513,866	16,555
2005	489,000	10,343
2004	440,000	10,111
2003	395,000	8,646
2002	350,000	8,654
2001	290,000	7,545
2000	252,500	7,002
1999	230,000	7,389
1998	204,500	8,199
1997	180,000	7,835

SOURCES: Compiled by the County from: The October 2001 LIPA Annual Business Fact Book, 1996-2000; Multiple Listing Service of Long Island Inc., 2001-2006; New York State Association of Realtors, *2006 No. of Homes Sold* from LI Profiles (www.LIProfiles.com)..

Transportation

MTA Long Island Bus ("MTALIB"), a subsidiary of the Metropolitan Transportation Authority, is the County's principal public surface transit provider and the third largest suburban bus system in the United States. Operating a network 54 routes, the MTALIB provides transit service for most of the County as well as parts of eastern Queens and western Suffolk County. The density of MTALIB's route network conforms to the development pattern of the County. MTALIB operates approximately 333 fixed route buses and 85 para-transit vehicles, including service across the Queens-Nassau line to subway and bus stations in Flushing, Far Rockaway and Jamaica. MTALIB has an average ridership of 108,000 passengers each weekday and serves 96 communities, 46 Long Island Rail Road ("LIRR") stations, most area colleges and universities, as well as employment centers and shopping malls.

The mid-year forecast as of July 2006 shows that the total MTALIB estimated budget for 2006 was $119.6 million, of which $49.7 million or 41.6%, was derived from passenger fares and other operating revenue. The estimated cost to the County and the State of operating MTALIB for 2006 was approximately $69.9 million. The County's share of the cost was approximately $10.5 million; State subsidies and additional State aid accounted for approximately $44.9 million; and, MTA subsidies accounted for the remaining $14.5 million.

The Long Island Rail Road (the "LIRR") is the largest and busiest commuter railroad in the United States, carrying 80.2 million passengers in 2005. The LIRR provides train service for the entire County. Its infrastructure includes 381 route miles of track, 296 at-grade-crossings and 124 stations on 11 branch lines. On an average weekday, the LIRR carries 282,410 passengers. These branches provide service through the County to eastern destinations in Suffolk County and western destinations of Penn Station in Manhattan, Flatbush Avenue in Brooklyn, as well as Jamaica and Hunters Point/Long Island City in Queens. Over 60% of the LIRR's passenger trips originate in the County. On weekdays, about 70% of the system's passenger trips occur during morning and evening peak travel periods.

Through its capital program, the LIRR is restoring two critical LIRR stations, Atlantic Terminal (Brooklyn) and Jamaica Station (Queens), the transfer point for the new Air Train to John F. Kennedy International Airport ("JFK"). Other important projects are the continual maintenance of replacing tracks, ties, and switches and renovations underway at numerous stations. The LIRR also is expected to install a fiber-optic communications system for greater safety and is consolidating antiquated control towers into one modern center at Jamaica Station. Traditionally serving a Manhattan-bound market, the LIRR has undertaken extensive efforts to augment its reverse-commute and off-peak service to meet the needs of businesses in Nassau and Suffolk counties.

The LIRR is replacing older electric cars with state-of-the-art M-7 rail cars and has modernized its entire diesel fleet, with 23 new locomotives, 134 bi-level coaches, and 23 "dual-mode" locomotives that operate in both diesel and electrified territory, enabling many customers to travel between Long Island and Manhattan without changing trains. In the County, the LIRR is completely electrified, except for the Oyster Bay Branch north and east of East Williston.

The County highway system consists of over 4,000 miles of paved roads that include parkways, highways, major arteries, collector streets and local streets, which are operated and maintained by different levels of government. The eight major east-west roadways that provide direct through service to New York City and Suffolk County include: Northern Boulevard, Long Island Expressway, Northern State Parkway, Jericho Turnpike, Hempstead Turnpike, Southern State Parkway, Sunrise Highway, and Merrick Road.

The County is located within close proximity to JFK and LaGuardia Airport ("LaGuardia"), both located in Queens County, and to Islip Long Island MacArthur Airport ("Islip MacArthur"), located in Suffolk County. JFK and LaGuardia are easily accessible to County residents by all major east-west roadways as well as airport shuttle service. The Air Train service, a light rail system connecting Jamaica Station in Queens to JFK, opened in early 2004. Islip MacArthur is accessible by the Long Island Expressway and Sunrise Highway, as well as the LIRR.

To help eliminate delays, congestion, and trouble spots on the highway network, the County receives federal and state funding through the federal Transportation Improvement Program ("TIP"), and is a voting member of the Nassau-Suffolk Transportation Coordinating Committee. The TIP is a compilation of transportation improvement projects such as preserving and upgrading bridges, highways and making system-wide capacity and safety improvements scheduled to take place during a five-year period. The present TIP covers the years 2006-2010 and a 2008-2012 update is underway.

Utility Services

Electrical service is provided to the County by the Long Island Power Authority ("LIPA"), which became Long Island's non-profit electric utility in 1998. LIPA's electric system, which serves 1.1 million customers, is operated by KeySpan, (the parent company of KeySpan Energy Delivery), the largest investor-owned electric generator in the State. KeySpan, which is the largest distributor of natural gas in the northeast United States, also provides gas distribution in the County. The incorporated villages of Freeport and Rockville Centre operate their own electrical generation plants.

LIPA is funded through legislation that requires the utility to make payments in lieu of taxes ("PILOTS") to municipalities and school districts commensurate with property taxes that would have been received by each jurisdiction from the Long Island Lighting Company ("LILCO"), the County's former provider of electrical service. LIPA is also required to make PILOTS for certain State and local taxes which would otherwise have been imposed on LILCO. Numerous private companies in the County provide telephone service.

Health and Hospital Facilities

Rated among the best health and hospital facilities in the country, the County provides 4,669 certified hospital beds in 13 hospitals and according to the New York State Board of Professions, is served by 8,170 licensed medical doctors, 2,029 dentists, 670 chiropractors, 333 podiatrists and 19,265 registered nurses. The North Shore-Long Island Jewish Health System is the County's largest employer (approximately 31,000 employees), is the third largest non-profit, secular health care system in the nation and is part of the largest integrated healthcare network (Modern Healthcare) in the Northeast United States. The North Shore University Hospital is the recipient of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) Codman Award, the first health system to attain this distinction.

Other hospitals of note in the County include the Nassau University Medical Center in East Meadow, St. Francis Hospital in Roslyn, the Winthrop-University Hospital in Mineola, and the Memorial-Sloan Kettering Cancer Center at Mercy Medical Center in Rockville Centre.

Media

The daily newspaper *Newsday* is circulated in the County and Suffolk and Queens counties. Approximately 80 weekly newspapers cover news and events in the County. Some of these focus on events in specific towns, villages and communities, and other focus on niche industries, such as Long Island Business News – a 50-year-old tabloid that covers both Nassau and Suffolk Counties.

The County is home to two broadcast television stations, Channels 21 and 57, and receives nine additional VHF and UHF stations. In addition, News 12 provides local news coverage (on cable only). Cable programming is available throughout the County via Cablevision Systems Corp., and provides access to channels with a local focus. Satellite programming is also available in the County.

Because of its proximity to New York City, events in the County attract regular coverage in New York City newspapers such as the *New York Times*, the *Daily News*, and the *New York Post*. Radio coverage includes nine County-based stations and 52 regional and neighboring stations that consider the County as part of their listening area.

Educational Facilities

There are 56 school districts in the County, with a total enrollment of 209,112 students according to the State Education Department. Individual school boards and the Board of Cooperative Educational Services (BOCES) are the primary managers of these school districts and provide services such as career training for high-school students and adults, special education, alternative schools, technology education and teacher training. Various public and private organizations manage the County's other educational facilities. The County's non-public schools, which are located in a number of municipalities, provide education in the State Regents program as well as in special and technical programs.

Many County public schools have received national recognition. A 2005 Newsweek magazine article cited 7 County high schools among the top 100 public high schools in the nation.

Over 138,000 students attend County colleges and universities, some of which are highly specialized and have garnered nationwide attention for their programs. These institutions include: Long Island University/C.W. Post College, Adelphi University, Hofstra University, New York Institute of Technology, U.S. Merchant Marine Academy, Nassau Community College, Webb Institute, Molloy College and the State University of New York/Old Westbury.

Colleges and universities in the County promote cross-disciplinary research, technology development and an integrated curriculum to prepare students for the growing bioscience industry. Undergraduate and graduate level programs available throughout the County's institutions of higher learning specialize in fields such as biology, chemistry, biochemistry, engineering, and physical sciences in courses such as bioengineering, biotechnology and pharmacology.

Recreational and Cultural Facilities

The County has numerous recreational and cultural facilities. One of the most popular destinations among the County's parks and beaches is the 2,413-acre Jones Beach State Park in Wantagh. With approximately six to seven million visitors annually, Jones Beach State Park features a six-mile ocean beachfront, a two-mile boardwalk and the 11,200-seat, Jones Beach Theater performing arts center, which attracts world-class musical acts. There are dozens of other public beaches located along both the Atlantic Ocean and the Long Island Sound shoreline. In addition, the County is home to the 930-acre Eisenhower Park in the Town of Hempstead, Bethpage State Park in Farmingdale and numerous small local parks and campgrounds which offer a broad spectrum of recreational opportunities.

On a national level, the County is home to many high profile professional sporting events and teams. The Bethpage Golf Course, located in Bethpage State Park, hosted the 2002 U.S. Open and is scheduled to host the 2009 U.S. Open. Belmont Racetrack, located in Elmont, is home to the Belmont Stakes, the third race in horse racing's prestigious Triple Crown. The Nassau Veterans Memorial Coliseum in Uniondale is home to the four-time Stanley Cup Champion New York Islanders of the National Hockey League and the Arena Football League's New York Dragons. Eisenhower Park's 80,000 square foot Swimming and Diving Center is the largest pool in the Northern Hemisphere.

In terms of cultural and historic resources, the County boasts eleven museums, including the County-owned Cradle of Aviation Museum and the Long Island Children's Museum in Garden City, as well as historic sites such as Old Bethpage Village and Theodore Roosevelt's estate at Sagamore Hill in Cove Neck.

In an effort to preserve open space, natural and scenic resources for additional recreational opportunities, in 2003 the County created the Open Space Fund, which receives 5% of the proceeds from County land sales for open space land acquisition purposes.

Water Service and Sanitary Sewer Facilities

There are 47 water districts in the County providing water service to over 90% of the County's residents. Approximately 3,550 residents of the less densely populated northern sections of the County draw their water from private wells.

The natural geology of the County yields four aquifers located between subsurface rock strata. These aquifers serve the County with fresh water and are continuously being recharged by precipitation.

In a study performed by the Long Island Regional Planning Board on Long Island's population, the projected population of Long Island for the year 2010 is predicted to remain at the present level of 1.3 million. Based on studies of projected residential, commercial and industrial daily water use, the demand of water from Long Island's groundwater supply will be 180 million gallons per day. Recharge of the groundwater system has increased from 332 million gallons per day to 341 million gallons per day as a result of the County's storm water recharge basins capturing storm water for aquifer recharge. This leaves a daily recharge surplus of 161 million gallons. This recharge surplus ensures ample amounts of fresh water for the future.

The Division of Sanitation and Water Supply within the County Department of Public Works maintains and operates the County's sewerage and water resources facilities. In 2003, upon the approval of the County Legislature, state legislation created a single, County-wide sewer and storm water resources district, replacing the County's prior three sewage disposal districts and 27 sewage collection districts.

Most sewage in the County's sewer system is treated at the Inwood Pump Station, the Bay Park Sewage Treatment Plant (Bay Park) in East Rockaway or the Cedar Creek Water Pollution Control Plant (Cedar Creek) located in Wantagh. Sewage collected within the area corresponding to the former County sewage collection district of Lido Beach is processed at the City of Long Beach's sewage treatment plant.

Six villages in the County (Freeport, Garden City, Hempstead, Mineola, Rockville Centre and Roslyn) own and operate their own sewage collection systems which discharge sewage to the County's disposal system. The sewage collected by these systems is processed at one of the County-operated sewage treatment plants, either Bay Park or Cedar Creek. In addition, there are several sewage collection systems and treatment plants within the County that are operated by other governmental agencies or special districts.

APPENDIX I

FORM OF BOND DETERMINATION CERTIFICATE

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BOND DETERMINATIONS CERTIFICATE DATED DECEMBER 13, 2007, OF THE COUNTY TREASURER OF THE COUNTY OF NASSAU, NEW YORK, PROVIDING FOR THE DETAILS, FORM AND RELATED MATTERS OF $75,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007, OF SAID COUNTY.

I, the undersigned County Treasurer of the County of Nassau, New York, pursuant to authority vested in me by bond ordinances duly adopted by the County Legislature of said County on the dates set forth, authorizing the issuance of bonds of said County in the amounts and for the purposes as all set forth in Schedule A attached hereto and made a part of this certificate, DO HEREBY PRESCRIBE as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions.

Alternate Rate

"Alternate Rate" means (1) with respect to Bonds in a Daily Mode, a Weekly Mode, or a Commercial Paper Mode for an Interest Period of 30 days or less, an annual rate equal to the SIFMA Municipal Swap Index, prior to the date such Alternate Rate is determined; (2) with respect to Bonds in a Commercial Paper Mode for an Interest Period of greater than 30 days, an annual rate equal to 85% of the highest quoted yield on United States Government Obligations – State and Local Government Series, with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated, which yield was published in Form PD4262, Department of Treasury, Bureau of Public Debt, as most recently published prior to the date such Alternate Rate is determined; (3) with respect to Bonds in a Term Rate Mode an annual rate equal to 85% of LIBOR with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated; and (4) with respect to Taxable Bonds, an annual rate equal to 105% of LIBOR with a maturity equal to the length of the Interest Period for which the Alternate Rate is calculated.

ARS

"ARS" means Bonds of a Series bearing an Auction Rate.

Auction Mode

"Auction Mode" means the mode during which a Series of Bonds bears interest at the Auction Rate.

Auction Rate

"Auction Rate" shall have the meaning set forth in Exhibit A.

Authorized Representative

"Authorized Representative" means with respect to the County, its Treasurer or any other person designated as an Authorized Representative of the County by a Certificate of the County signed by its Treasurer and filed with the Fiscal Agent.

Bank

"Bank" means Bank of America, N.A., the initial Credit Facility Provider.

Bond Counsel

"Bond Counsel" means legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the County and not objected to by the Credit Facility Provider.

Bond Certificate

"Bond Certificate" means this Bond Certificate, as originally executed or as it may from time to time be supplemented, modified or amended.

Bonds

"Bonds" means the County's $75,000,000 Multi-Modal General Obligation Bonds, 2007 Series A and Series B, each dated December 13, 2007.

Business Day

"Business Day" means (i) a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of New York or in any state in which the office of the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Remarketing Agent (if any) and the Tender Agent (if any), is located are authorized to remain closed or a day on which the New York Stock Exchange is closed and (ii) with respect to Bonds bearing interest at the Auction Rate, as set forth in the definition of "Business Day" in Exhibit A hereto.

Certificate, Statement, Request, Requisition or Order of the County

"Certificate," "Statement," "Request," "Requisition" and "Order" of the County, mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the County by the Treasurer or such other person as may be designated and authorized to sign for the County and designated by the Treasurer in writing to the Fiscal Agent. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Code

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

Commercial Paper Mode

"Commercial Paper Mode" means the Mode during which a series of Bonds bears interest at the Commercial Paper Rate.

Commercial Paper Rate

"Commercial Paper Rate" means the per annum interest rate with respect to any Bond in the Commercial Paper Mode determined pursuant to Section 2.05.

Credit Facility

"Credit Facility" means a letter of credit, including, if applicable, a confirming letter of credit, bond insurance policy or similar credit facility issued by a commercial bank, savings institution, insurer or other financial institution which, by its terms, shall secure the payment of the principal of and interest on a Series of Bonds when due, delivered to the Fiscal Agent, including a Substitute Credit Facility. The initial Credit Facility will be both a Credit Facility and a Liquidity Facility for all purposes of this Bond Certificate.

Credit Facility Provider

"Credit Facility Provider" means the commercial bank, savings institution, insurer or other financial institution issuing a Credit Facility.

County Bonds

"County Bonds" means Bonds that have been purchased by or on behalf of the County and are held in its name or in the name of a Person authorized by the County (whether in this Bond Certificate or otherwise) to hold said Bonds in the County's name.

Current Mode

"Current Mode" shall have the meaning specified in Section 2.11.

Daily Mode

"Daily Mode" means the Mode during which a Series of Bonds bears interest at the Daily Rate.

Daily Rate

"Daily Rate" means an interest rate that is determined on each Business Day with respect to any Series of Bonds in the Daily Mode pursuant to Section 2.06.

Depository Participant

"Depository Participant" means a member of, or participant in, the Securities Depository.

Electronic Means

"Electronic Means" means (i) telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission and (ii) with respect to the Bonds bearing interest at the Auction Rate, as set forth in the definition of "Electronic Means" in Exhibit A hereto.

Eligible Bonds

"Eligible Bonds" means any Bonds other than Liquidity Facility Bonds or County Bonds.

Event of Default

"Event of Default" means any of the events specified in Section 4.01.

Expiration Date

"Expiration Date" means the first to occur of (i) the date upon which a Liquidity Facility or a Credit Facility is scheduled to expire (taking into account any extensions of such Expiration Date) in accordance with its terms without regard to any early termination thereof, and (ii) the date upon which a Liquidity Facility terminates following voluntary termination by the County pursuant to Section 2.10 of the Reimbursement Agreement.

Favorable Opinion of Bond Counsel

"Favorable Opinion of Bond Counsel" means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be Bond Counsel, to the effect that such action is permitted under this Bond Certificate and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

Fiscal Agent

"Fiscal Agent" means the Bank of New York and its successors and assigns.

Fiscal Agency Agreement

"Fiscal Agency Agreement" means the Fiscal Agency Agreement dated as of December 13, 2007 by and between the Bank of New York and the County, as the same may be amended from time to time.

Fitch

"Fitch" means Fitch Inc. a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County and the Fiscal Agent.

Fixed Rate

"Fixed Rate" means the interest rate on a Series of Bonds determined pursuant to Section 2.10.

Fixed Rate Bonds

"Fixed Rate Bonds" means a Series of Bonds during the Fixed Rate Mode with respect to such Series.

Fixed Rate Mode

"Fixed Rate Mode" means the Mode during which a Series of Bonds bears interest at a Fixed Rate.

Holder or Bondholder

"Holder" or "Bondholder," when used with respect to a Bond, means the Person in whose name such Bond is registered.

Interest Payment Date

"Interest Payment Date" means (1) with respect to Bonds in a Commercial Paper Mode (a) with an Interest Period of 180 days or less, the Purchase Date, and (b) with an Interest Period of 181 days or more, on each June 1 and December 1 prior to the Purchase Date and the Purchase Date; (2) with respect to Bonds in a Daily Mode, or a Weekly Mode, the first Business Day of each month; (3) with respect to Bonds in a Term Rate Mode, each June 1 and December 1 prior to the Purchase Date and the Purchase Date; (4) with respect to Bonds in the Fixed Rate Mode, semiannually on each June 1 and December 1; (5) with respect to Bonds bearing interest at the Auction Rate, as set forth in the definition of "Interest Payment Date" in Exhibit A hereto; (6) any Mode Change Date; (7) the respective Maturity Dates of the Bonds; and (8) with respect to Liquidity Facility Bonds, the dates set forth in the Reimbursement Agreement.

Interest Payment Period

"Interest Payment Period" means the period commencing on the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original issuance of the Bonds, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid.

Interest Period

"Interest Period" means the period of time that an interest rate remains in effect, which period:

(1) with respect to any Series of Bonds in a Daily Mode, commences on a Business Day and extends to, but does not include, the next succeeding Business Day;

(2) with respect to any Series of Bonds in a Weekly Mode, commences on the first day Bonds begin to accrue interest in the Weekly Mode and ends on the next succeeding Tuesday, and thereafter commences on each Wednesday and ends on Tuesday of the following week;

(3) with respect to each Bond in a Commercial Paper Mode, shall be established by the Remarketing Agent pursuant to Section 2.05;

(4) with respect to any Series of Bonds in a Term Rate Mode, initially, shall be from and including the Mode Change Date to, but not including, the Purchase Date established for such Bond pursuant to Section 2.07 hereof and thereafter shall be from and including such Purchase Date to but not including the next Purchase Date; and

(5) with respect to any Series of Bonds in an Auction Mode, shall be the Auction Period as set forth in Exhibit A hereto; and

(6) with respect to any Series of Bonds in the Fixed Rate Mode, commences on the first day Bonds begin to accrue interest in the Fixed Rate Mode and ends on the day prior to the final maturity date of the Bonds.

Interested Parties

"Interested Parties" means the County, the Fiscal Agent, the Tender Agent and the Credit Facility Provider (if any).

LIBOR

"LIBOR" means the rate for deposits in U.S. dollars with a thirty day maturity that appears on Reuters Screen LIBOR 01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Rate Determination Date.

Liquidity Facility

"Liquidity Facility" means a standby bond purchase agreement, letter of credit or similar liquidity facility issued by a commercial bank, savings institution, insurer or other institution which, by its terms, shall provide for the payment of the Purchase Price of the Bonds tendered and not remarketed, delivered to the Fiscal Agent, including a Substitute Liquidity Facility. The initial Liquidity Facility will be both a Credit Facility and a Liquidity Facility for all purposes of this Bond Certificate.

Liquidity Facility Bond Rate

"Liquidity Facility Bond Rate" means the interest rate(s) applicable from time to time to Liquidity Facility Bonds as determined in accordance with the applicable Liquidity Facility or Substitute Liquidity Facility.

Liquidity Facility Bond Sale Date

"Liquidity Facility Bond Sale Date" means the day on which a Liquidity Facility Bond ceases to be a Liquidity Facility Bond.

Liquidity Facility Bonds

"Liquidity Facility Bonds" means Bonds purchased by a Liquidity Facility Provider pursuant to a Liquidity Facility, but excluding Bonds no longer considered Liquidity Facility Bonds pursuant to the terms of such Liquidity Facility.

Liquidity Facility Deposit Account

"Liquidity Facility Deposit Account" means the account by that name within the Purchase Fund established pursuant to Section 3.12.

Liquidity Facility Provider

"Liquidity Facility Provider" means the commercial bank, savings institution, insurer or other financial institution issuing a Liquidity Facility.

Mandatory Purchase Date

"Mandatory Purchase Date" means: (1) any Purchase Date for Bonds in the Commercial Paper Mode or the Term Rate Mode; (2) any Mode Change Date; and (3) unless the provisions of Section 3.10 are satisfied, any Termination Date, Substitute Liquidity Facility Date, Expiration Date or Substitute Credit Facility Date.

Mandatory Sinking Account Payment

"Mandatory Sinking Account Payment" means the amount required by Sections 3.01(E) to be paid by the Fiscal Agent on any single date for the retirement of Bonds.

Maturity Date

"Maturity Date" means December 1, 2023 for the Series A Bonds and December 1, 2024 for the Series B Bonds, or with respect to the Bonds upon change to the Fixed Rate Mode such maturities determined pursuant to Section 2.10.

Maximum Rate

"Maximum Rate" means 12% per annum provided, however, (1) with respect to Bonds bearing interest at the Auction Rate, as set forth in the definition of "Maximum Rate" in Exhibit A hereto and (2) the Liquidity Facility Bond Rate will be subject to the "Maximum Rate" as defined in the related Liquidity Facility.

Mode

"Mode" means, as the context may require, the Auction Mode, the Commercial Paper Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode.

Mode Change Date

"Mode Change Date" means, with respect to the Bonds, the day following the last day of one Mode for such Series of Bonds on which another Mode begins.

Moody's

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Fiscal Agent.

New Mode

"New Mode" shall have the meaning specified in Section 2.14.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the County) selected by the County and not objected to by the Fiscal Agent, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any). If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, delivered under this Bond Certificate except: (1) Bonds theretofore cancelled by the County or surrendered to the County for cancellation; (2) Bonds with respect to which all liability of the County shall have been discharged; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been executed and delivered by the County pursuant to this Bond Certificate.

Person

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Principal Corporate Trust Office

"Principal Corporate Trust Office" means the office of the Fiscal Agent at 101 Barclay Street, New York, New York 10286.

Principal Payment Date

"Principal Payment Date" means, with respect to a Bond, the date on which principal of such Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

Purchase Date

"Purchase Date" means (i) during the Commercial Paper Mode or the Term Rate Mode with respect to a Series of Bonds, the date determined by the Remarketing Agent on the most recent Rate Determination Date as the date on which such Bonds shall be subject to purchase, and (ii) during the Daily Mode or the Weekly Mode, a Business Day.

Purchase Price

"Purchase Price" means (i) an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus, in the case of any purchase of Bonds in the Daily Mode, or the Weekly Mode, accrued interest thereon, if any, to the Purchase Date, or (ii) an amount equal to the principal amount of any Bonds purchased on a Mandatory Purchase Date, plus accrued interest thereon, if any, to the Mandatory Purchase Date.

Rate Determination Date

"Rate Determination Date," when used with respect to a Series of Bonds, means the date on which the interest rate(s) with respect to the Bonds shall be determined, which, (i) in the case of the Commercial Paper Mode, shall be the first day of an Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day commencing with the first day the Bonds become subject to the Daily Mode; (iii) in the case of the initial conversion to the Weekly Mode, shall be no later than the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, the next Business Day immediately succeeding such Wednesday; (iv) in the case of the Term Rate Mode, shall be a Business Day no earlier than

30 Business Days and no later than the Business Day immediately preceding the first day of an Interest Period; (v) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date; and (vi) in the case of Bonds bearing interest at the Auction Rate, shall be the Auction Date as defined in Exhibit A hereto.

Rating Agency

"Rating Agency" means S&P, Moody's and Fitch.

Rating Category

"Rating Category" means one of the general rating categories of the Rating Agencies without regard to any refinement or graduation of such rating category by numerical modifier or otherwise.

Record Date

"Record Date" means (i) with respect to Bonds in a Commercial Paper Mode, a Daily Mode or a Weekly Mode, the day (whether or not a Business Day) immediately preceding each Interest Payment Date, (ii) with respect to Bonds in an Auction Period Rate, the Business Day immediately preceding an Interest Payment Date, and (iii) with respect to Bonds in a Term Rate Mode or a Fixed Rate Mode, the 15th day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

Redemption Price

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Certificate.

Reimbursement Agreement

"Reimbursement Agreement" means the agreement between the County and a Credit Facility Provider or Liquidity Facility Provider pursuant to which a Credit Facility or Liquidity Facility, or both, is issued, as amended, supplemented or extended from time to time in accordance with the provisions thereof.

Remarketing Agent

"Remarketing Agent" means any remarketing agent appointed by the County in accordance with Sections 3.13 and 3.14 and not objected to by the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any) and at the time serving as such under the Remarketing Agreement.

Remarketing Agreement

"Remarketing Agreement" means that certain remarketing agreement between the County and the Remarketing Agent, as such agreement may from time to time be amended and supplemented, to remarket the Bonds delivered or deemed to be delivered for purchase by the Holders thereof, subject to approval by the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any).

Required Stated Amount

"Required Stated Amount" means, at any time of calculation with respect to a Series of Bonds, an amount equal to the aggregate principal amount of all Bonds of such Series then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the period specified in a certificate of the County to be the minimum period specified by the Rating Agencies then rating the Bonds of such Series as necessary to maintain, in the case of the Liquidity Facility, the short-term rating of the Bonds of such Series, or, in the case of the Credit Facility, the long-term rating of the Bonds of such Series or, in the case of the initial Credit Facility, both the short-term and long-term ratings of the Bonds of such Series.

S&P

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the state of its organization, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice to the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Fiscal Agent.

Securities Depository

"Securities Depository" means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.18, which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

Series A Bonds

"Series A Bonds" means the County's $35,000,000 Multi-Modal General Obligation Bonds, 2007 Series A.

Series B Bonds

"Series B Bonds" means the County's $40,000,000 Multi-Modal General Obligation Bonds, 2007 Series B.

SIFMA Municipal Swap Index

"SIFMA Municipal Swap Index" means the Securities Industry and Financial Markets Association (formerly The Bond Market Association™), Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recently preceding Business Day.

Special Record Date

"Special Record Date" means the date established by the Fiscal Agent pursuant to Section 2.02 as a record date for the payment of defaulted interest on the Bonds.

Substitute Credit Facility

"Substitute Credit Facility" means a Credit Facility, delivered to the Fiscal Agent pursuant to the Bond Certificate and Fiscal Agency Agreement.

Substitute Credit Facility Date

"Substitute Credit Facility Date" means the date of delivery to the Fiscal Agent of a Credit Facility by the County pursuant to the Bond Certificate and the Fiscal Agency Agreement.

Substitute Liquidity Facility

"Substitute Liquidity Facility" means a Liquidity Facility, delivered to the Fiscal Agent pursuant to the Bond Certificate and the Fiscal Agency Agreement.

Substitute Liquidity Facility Date

"Substitute Liquidity Facility Date" means the date of delivery to the Fiscal Agent of a Liquidity Facility by the County pursuant to the Bond Certificate and the Fiscal Agency Agreement.

Taxable Bonds

"Taxable Bonds" means Bonds, the interest on which is not excludible from gross income for federal income tax purposes by the Holder of such Bond.

Tax Certificate and Agreement

"Tax Certificate and Agreement" means the Tax Certificate and Agreement delivered by the County at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

Tender Agent

"Tender Agent" means any tender agent appointed in accordance with Sections 3.15 and 3.16. The Tender Agent and the Fiscal Agent shall be the same Person.

Tender Notice Deadline

"Tender Notice Deadline" shall mean (i) during the Daily Mode, 11:00 a.m. New York City time, on any Business Day, and (ii) during the Weekly Mode, 4:00 p.m. New York City time, on the Business Day five Business Days prior to the applicable Purchase Date.

Term Rate

"Term Rate" means the per annum interest rate with respect to any Bonds in the Term Rate Mode determined pursuant to Section 2.07.

Term Rate Mode

"Term Rate Mode" means the Mode during which any Series of Bonds bears interest at the Term Rate.

Weekly Mode

"Weekly Mode" means the Mode during which any Series of Bonds bears interest at the Weekly Rate.

Weekly Rate

"Weekly Rate" means an interest rate that is determined on a weekly basis with respect to any Series of Bonds in the Weekly Mode pursuant to Section 2.06.

SECTION 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Bond Certificate with respect to compliance with any provision hereof shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, such Person has made or caused to be made such examination or investigation as is necessary to enable such Person to express an informed opinion with respect to the subject matter referred to in the instrument to which such Person's signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the County may be based, insofar as it relates to legal, accounting or operational matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the County, as the case may be) upon a certificate or opinion of or representation by an officer of the County, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the County, or the same counsel or accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Bond Certificate, but different officers, counsel, accountants or management consultants may certify to different matters, respectively.

SECTION 1.03. Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and *vice versa* and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Bond Certificate; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Bond Certificate as a whole and not to any particular Article, Section or subdivision hereof.\

(D) All references herein to a particular time of day shall be to New York City time.

ARTICLE II

THE BONDS

SECTION 2.01. Authorization of Bonds. An issue of Bonds to be issued hereunder in order to obtain moneys for the benefit of the County is hereby created. The Bonds are designated as "County of Nassau Multi-Modal General Obligation Bonds, 2007." The aggregate principal amount of Bonds that may be issued and Outstanding under this Bond Certificate shall not exceed $75,000,000 dollars. The Bonds shall be issued in two Series, further designated as "Series A" and "Series B." The aggregate principal amount of the Bonds of each Series which may be issued and Outstanding under this Bond Indenture shall not exceed the following amounts:

Series	Principal Amount
Series A	$35,000,000
Series B	$40,000,000

This Bond Certificate constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and premium (if any) and interest on all the Bonds, subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Denominations; Date; Maturity; Numbering. The Bonds shall be delivered in the form of fully registered Bonds in denominations of (i) $100,000 and any integral multiple of $5,000 in excess thereof, with respect to Bonds in a Daily Mode, a Weekly Mode, a Commercial Paper Mode and a Term Rate Mode of 360 days or less, (ii) $5,000 and any integral multiple thereof, with respect to Bonds in the Fixed Rate Mode and a Term Rate Mode of more than 360 days, and (iii) with respect to Bonds in an Auction Mode, as set forth in the definition of "Authorized Denominations" in Exhibit A hereto. The Bonds shall be registered initially in the name of "Cede & Co.," as nominee of the Securities Depository and shall be evidenced by one Bond for each Series in the total aggregate principal amount of $75,000,000. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Sections 2.16 and 2.21 hereof. The Bonds shall be dated the date of their initial issuance and shall mature (subject to prior redemption) on their respective Maturity Dates. The Bonds shall be numbered in such manner as shall be determined by the County. Interest shall be calculated on the basis of (i) a 365-day year for the number of days actually elapsed, during a Commercial Paper Mode, a Daily Mode, or a Weekly Mode, (ii) a 360-day year of twelve 30-day months during a Term Rate Mode of 360 days or less, the Fixed Rate Mode, or an Auction Mode of more than 180 days, and (iii) a 360-day year for the number of days actually elapsed during a Term Rate Mode of more than 360 days, an Auction Mode of 180 days or less and for Bonds in any Mode of 360 days or less if the interest on such Bonds is not excludible from gross income for federal income tax purposes by the Holder of such Bond. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Fiscal Agent, notice whereof being given by first class mail to the Bondholders not less 10 days prior to such Special Record Date.

SECTION 2.03. Payment of Principal of and Interest on the Bonds.

(A) The principal or Redemption Price of the Bonds shall be payable by check in lawful money of the United States of America at the Principal Corporate Trust Office of the Fiscal Agent. Interest on the Bonds shall be paid to the Person whose name appears on the bond registration books of the Fiscal Agent as the Holder thereof as of the close of business on the Record Date for each Interest Payment Date. Payment of the interest on (i) Bonds in a Daily Mode, a Weekly Mode, an Auction Mode, a Term Rate Mode of 360 days or less or any Bond in a Commercial Paper Mode shall be made by wire transfer in immediately available funds to an account within the United States of America designated by such Holder and (ii) any Series of Bonds in a Term Rate Mode of more than 360 days or a Fixed Rate Mode shall be made by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least $1,000,000 in aggregate principal amount of Bonds, submitted to the Fiscal Agent at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Holder. As long as Cede & Co. is the Holder of the Bonds, said principal or Redemption Price and interest payments shall be made to Cede & Co. by wire transfer in immediately available funds. CUSIP number identification shall accompany all payments of principal or Redemption Price and interest whether by check or by wire transfer. The principal of, and interest on, Liquidity Facility Bonds shall be paid as set forth in the Reimbursement Agreement relating to such Liquidity Facility Bonds.

(B) Interest on the Bonds shall be calculated in accordance with Sections 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, 2.10, 2.11 and 2.12 of this Bond Certificate and shall be payable on each Interest Payment Date for the immediately preceding Interest Payment Period. Notwithstanding the foregoing, Liquidity Facility Bonds shall bear interest at a rate per annum equal to the Liquidity Facility Bond Rate and interest on Liquidity Facility Bonds shall be payable as set forth in the Reimbursement Agreement relating to such Liquidity Facility Bonds. Additionally, anything herein to the contrary notwithstanding, in no event shall any Bond bear interest at a rate per annum in excess of the Maximum Rate.

SECTION 2.04. Initial Modes and Interest Rates; Change of Mode

(A) The first Interest Rate Period for each Series of Bonds shall commence on the date of their original issuance in the following respective Modes with the following respective initial interest rate:

Series	Initial Mode	Initial Interest Rate
Series A	Weekly	
Series B	Weekly	

(B) Bonds of each Series in any Mode, other than the Fixed Rate Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. All Bonds of any Series must be in the same Mode. While the Bonds of any Series are in a Commercial Paper Mode, the Bonds may bear interest at different rates at the same time. While a series of Bonds is in a Daily Mode, a Weekly Mode, a Term Rate Mode, the Fixed Rate Mode (subject to Section 2.10), or an Auction Mode, all Bonds of such Series shall bear interest at the same interest rate. Subsequent to such change in Mode (other than a change to the Fixed Rate Mode), the Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. The Fixed Rate Mode for a Series of Bonds shall be in effect until the Maturity Date of such Bonds, and may not be changed to any other Mode.

SECTION 2.05. Determination of Commercial Paper Rates, Purchase Date and Interest Periods During Commercial Paper Mode.

(A) Interest Periods during a Commercial Paper Mode shall be of such duration of from one to 270 calendar days, ending on a day immediately preceding a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of this Section 2.05. On each Rate Determination Date, the Remarketing Agent shall select for each Bond then subject to such adjustment the Interest Period which would result in the Remarketing Agent being able to remarket such Bond at par in the secondary market representing the lowest interest rate then available and for the longest Interest Period available at such rate. If on any Rate Determination Date, the Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost with respect to such Bond, then the Remarketing Agent shall select the Interest Period that, in the judgment of the Remarketing Agent, would permit such Bond to achieve such lower average interest cost. If the Remarketing Agent has received notice from the County that any Bond is to be changed from the Commercial Paper Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to Section 4.08, the Remarketing Agent shall, with respect to such Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date.

(B) On or after 9:00 a.m. New York City time on each Rate Determination Date for Bonds in the Commercial Paper Mode, any Holder of such Bonds may telephone the Remarketing Agent and receive notice of the anticipated next Interest Period(s) and the anticipated Commercial Paper Rate(s) for such Interest Period(s).

(C) By 12:30 p.m. New York City time on each Rate Determination Date, the Remarketing Agent, with respect to each Bond in the Commercial Paper Mode which is subject to adjustment on such date, shall determine the Commercial Paper Rate(s) for the Interest Periods then selected for such Bond and the Purchase Date and shall give notice by Electronic Means to the Tender Agent of the Interest Period, the Purchase Date(s) and the Commercial Paper Rate(s).

(D) By 1:00 p.m. New York City time on each Rate Determination Date, the Remarketing Agent shall apply for and obtain CUSIP numbers for each Bond in the

Commercial Paper Mode (which the Tender Agent will promptly assign pursuant to Section 4.15(A)(4)) for which a Commercial Paper Rate, a Purchase Date and Interest Period have been determined on such date and notify the Remarketing Agent of such assignment by Electronic Means.

(E) By acceptance of any Bond during a Commercial Paper Mode, the Holder thereof shall be deemed to have agreed, during each Interest Period, to the Commercial Paper Rate (including the Alternate Rate, if applicable), Interest Period and Purchase Date then applicable thereto and to have further agreed to tender such Bond to the Tender Agent for purchase on the Purchase Date at the Purchase Price.

SECTION 2.06. Determination of Interest Rates During the Daily Mode and the Weekly Mode.

(A) Method of Determining Interest Rates. Interest on any Bonds in the Daily Mode or the Weekly Mode shall accrue at the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date as the minimum rate of interest which, in the judgment of the Remarketing Agent under then-existing market conditions, would result in the sale of such Bonds on the Rate Determination Date at a price equal to the Purchase Price. Such determination shall be conclusive and binding upon the County, the Fiscal Agent, the Tender Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), the Remarketing Agent and the Holders.

(B) Determination Time for Daily Rate. During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 10:00 a.m. New York City time on each Business Day. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day. The Remarketing Agent shall make the Daily Rate available (i) after 10:00 a.m. New York City time on the Rate Determination Date by telephone to any Holder or the County, the Fiscal Agent, the Tender Agent, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any) and (ii) by Electronic Means to the Fiscal Agent, the Credit Facility Provider (if any), and the Liquidity Facility Provider (if any) not later than the second Business Day after the Rate Determination Date.

(C) Determination Time for Weekly Rate. During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 10:00 a.m. New York City time on each Rate Determination Date. The Weekly Rate shall be in effect (1) initially, from and including the first day the Bonds become subject to the Weekly Mode to and including the following Tuesday and (2) thereafter, from and including each Wednesday to and including the following Tuesday. The Remarketing Agent shall make the Weekly Rate available (i) after 10:00 a.m. New York City time on the Rate Determination Date by telephone to any Holder or the County, the Fiscal Agent, the Tender Agent, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any) and (ii) by Electronic Means to the Fiscal Agent, the Credit Facility Provider (if any), and the Liquidity Facility Provider (if any) not later than the second Business Day after the Rate Determination Date.

SECTION 2.07. Determination of Term Rates.

(A) Method of Determining Term Rate, Interest Period and Purchase Date During Term Rate Mode. The Term Rate shall be the minimum rate which, in the judgment of the Remarketing Agent, will result in a sale of applicable Series of Bonds at a price equal to the Purchase Price on the Rate Determination Date for the Interest Period selected by the County. The Remarketing Agent shall also determine the Purchase Date as the day following the last day of the Interest Period so selected by the County. If a new Interest Period is not selected by the County prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period shall be the Weekly Mode.

(B) Determination Time for Term Rates. Except as provided in Section 2.09(C), once Bonds of any Series are changed to the Term Rate Mode, such Bonds shall continue in the Term Rate Mode until changed to another Mode in accordance with Section 2.13. The Term Rate shall be determined by the Remarketing Agent not later than 4:00 p.m. New York City time on the Rate Determination Date. After 4:00 p.m. New York City time, the Remarketing Agent shall make the Term Rate available by telephone or Electronic Means to any Holder, the County, the Fiscal Agent, the Tender Agent, the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any).

SECTION 2.08. Determination of Fixed Rate. Subject to Section 2.11(B), at the option of the County and with the consent of the Credit Facility Provider (if any), the Bonds of any Series may be converted to bear interest at the Fixed Rate to the final Maturity Date of the Bonds of such Series unless on the date the Remarketing Agent determines the Fixed Rate, the Remarketing Agent also determines that the Bonds of such Series would bear a lower effective net interest cost if such Bonds were serial bonds or serial bonds and term bonds with the maturity (or Mandatory Sinking Account Payment) dates and principal amounts matching the Mandatory Sinking Account Payments, in which event the Bonds shall become serial bonds or serial bonds and term bonds with such maturity (or Mandatory Sinking Account Payment) dates and principal amounts and shall bear separate Fixed Rates for each maturity. The Remarketing Agent shall determine the Fixed Rate not later than 4:00 p.m. New York City time on the Rate Determination Date. The Fixed Rate shall be the minimum interest rate which, in the judgment of the Remarketing Agent, will result in a sale of the Bonds of the applicable series at a price equal to the Purchase Price on the Rate Determination Date unless in the judgment of the Remarketing Agent and with the written consent of the County and the Credit Facility Provider (if any), the Remarketing Agent determines that the lowest yield will result by selling the Bonds of the applicable Series at a price equal to the Purchase Price (plus any original issue premium or less any original issue discount) on the Rate Determination Date. In the case of Bonds to be sold at a discount, the County agrees to transfer to the Tender Agent on the date of change to the Fixed Rate Mode, in immediately available funds, for deposit in the County Purchase Account, an amount equal to such discount. In the case of Bonds sold at a premium, the premium shall be transferred to the County on the date of change to the Fixed Rate Mode. The Remarketing Agent shall make the Fixed Rate available by telephone to any Holder, the County, the Fiscal Agent or the Tender Agent. The Tender Agent shall give notice of such rate by Electronic Means to the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any) and, upon request, to the County. Such determination shall be conclusive and binding upon the County, the Fiscal Agent, the Tender Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any), the Remarketing Agent and the Holders.

SECTION 2.09. Alternate Rate for Interest Calculation. In the case of Bonds other than Auction Rate Securities and Fixed Rate Bonds, if (a) the Remarketing Agent fails or is unable to determine the interest rate(s) or Interest Periods with respect to any Series of Bonds, or (b) the method of determining the interest rate(s) or Interest Periods with respect to any Series of Bonds of such Series shall be held to be unenforceable by a court of law of competent jurisdiction, the Bonds of such Series shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered an Opinion of Counsel to the effect that the method of determining such rate is enforceable, represent interest from the last date on which such rate was determined in the case of clause (a) and from the date on which interest was legally paid in the case of clause (b), at the Alternate Rate for the Mode in effect. If either of the circumstances described in clauses (a) and (b) occurs on a Rate Determination Date for the Commercial Paper Mode, the relevant Interest Period shall be from and including such Rate Determination Date to, but not including, the next succeeding Business Day, and thereafter shall commence on a Business Day and extend to, but shall not include, the next Business Day.

SECTION 2.10. Auction Mode. The Auction Period Rate to be applicable to a Series of Bonds during each Auction Period shall be determined and notice thereof shall be given as provided in Exhibit A hereto. Interest shall accrue from one Interest Payment Date to, but not including, the next Interest Payment Date.

(a) *Conversions to ARS Rate Periods.* At the option of the County, all Bonds of a series (in an amount which is an Authorized Denomination for the new Interest Period) may be converted from a Daily Mode, a Weekly Mode, a Term Rate Mode or a Commercial Paper Mode to an ARS Rate Period. Any such conversion shall be made as follows:

(i) In any such conversion from a Daily Mode or a Weekly Mode, the ARS Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Interest Period from which the conversion is to be made. If the conversion is from a Term Mode, the ARS Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced. If the conversion is from a Commercial Paper Mode, the ARS Conversion Date shall be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the Bonds to be converted.

(ii) The County shall give written notice of any such conversion to the Remarketing Agent, the Fiscal Agent, the Credit Facility Provider, the Auction Agent, the Broker-Dealer and the Liquidity Facility Provider not less than seven (7) Business Days prior to the date on which the Fiscal Agent is required to notify the registered owners of the conversion pursuant to subparagraph (iii) below. Such notice shall specify such Bonds to be converted, the ARS Conversion Date, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the ARS Conversion Date and the initial Auction Period. Together with such notice, the County shall file with the Fiscal Agent a Favorable Opinion of Bond Counsel. No such change to an ARS Rate Period shall become effective unless the County shall also file with the Fiscal Agent, and the Credit Facility Provider Favorable Opinion of Bond Counsel to the same effect dated the ARS Conversion Date.

(iii) Not less than fifteen (15) days prior to the ARS Conversion Date, the Fiscal Agent shall mail a written notice of the conversion to the registered owners of all Bonds to be converted setting forth the same information contained in subparagraph (ii) above and stating that such Bonds shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof plus accrued interest on the ARS Conversion Date; provided, however, that the Fiscal Agent shall not mail such written notice if converting from a Commercial Paper Mode until it has received a written confirmation from the Remarketing Agent that no Interest Period for such Bonds extends beyond the ARS Conversion Date.

(iv) The Broker-Dealer shall establish the Initial Period Rate and give notice thereof as provided in the Broker-Dealer Agreement.

(v) The County may revoke its election to effect a conversion of the interest rate on any Bonds of a Series to an Auction Period Rate by giving written notice of such revocation to the Fiscal Agent, the Remarketing Agent, the Liquidity Facility Provider, the Credit Facility Provider, the Auction Agent and the Broker-Dealer at any time prior to the setting of the ARS Rate by the Broker-Dealer.

(vi) No Bonds may be converted to the Auction Period Rate when such Bonds are not held by a depository in book-entry form.

(b) *Conversions from ARS Rate Periods.* At the option of the County, all of the Bonds of a Series (in an amount which is an Authorized Denomination for the new rate period, as set forth in Section 2.02 herein) may be converted from an ARS Rate Period to a Daily Mode, a Weekly Mode, a Term Mode, a Commercial Paper Mode or a Fixed Rate Mode. Any such conversion shall be made as follows:

(i) The Conversion Date from an ARS Rate Period shall be the Interest Payment Date following the final Auction Period.

(ii) The County shall give written notice of any such conversion to the Fiscal Agent, the Remarketing Agent, if any, the Credit Facility Provider, if any, the Auction Agent and the Broker-Dealer not less than seven (7) Business Days prior to the date on which the Fiscal Agent is required to notify the registered owners of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the ARS to be converted, the Conversion Date and the new rate period to which the conversion shall be made. Together with such notice, the County shall file with the Fiscal Agent a Favorable Opinion of Bond Counsel. No change to a Daily Rate, a Weekly Rate, a Term Rate, a Commercial Paper Rate or a Fixed Rate shall become effective unless the County shall also file with the Fiscal Agent and the Credit Facility Provider, a Favorable Opinion of Bond Counsel to the same effect dated the Conversion Date.

(iii) Not less than twenty (20) days prior to the Conversion Date, the Fiscal Agent shall mail a written notice of the conversion to the registered owners of all such Bonds to be converted, specifying the Conversion Date.

(iv) At anytime prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Conversion Date, the County may withdraw its notice of conversion and the Auction for such Bonds shall be held on such Auction Date as if no conversion notice had ever been given. If on a Conversion Date the conversion notice has not been withdrawn as set forth in the preceding sentence and any condition precedent to such conversion has not been satisfied, the Fiscal Agent shall give notice by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the registered owner of the Bonds of a Series to have been converted, the County, the Auction Agent, the Broker-Dealer and the Credit Facility Provider that such conversion has not occurred, that the Bonds shall not be purchased on the failed Conversion Date, that the Auction Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to such Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate shall continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Bonds which otherwise would have been converted during the Auction Period commencing on such failed Conversion Date shall be the Maximum Rate, and the Auction Period shall be the seven-day Auction Period.

(v) Except in the case of a conversion to a Term Rate Period or a Fixed Rate Period a Liquidity Facility meeting the requirements hereof shall be in effect on the Conversion Date.

(vi) On the conversion date applicable to the Bonds to be converted, the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The principal portion of the purchase price of the Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds shall not be subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Interest Rate.

SECTION 2.11. Changes in Mode. Subject to the provisions of this Section 2.11, the County may effect a change in Mode with respect to the Bonds of any Series other than Fixed Rate Bonds, by following the procedures set forth in this Section.

(A) Changes to Modes Other Than Fixed Rate Mode. The Bonds of any Series (other than Bonds in the Fixed Rate Mode) may be changed from one Mode to another Mode as follows:

(1) Mode Change Notice; Notice to Holders. No later than the 5th Business Day preceding the proposed Mode Change Date, the County shall give written notice to the Fiscal Agent, the Tender Agent (if any), the Remarketing Agent (if any), the Auction Agent (if any), the Broker-Dealer (if any), the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) of its intention to effect a change in the Mode from the Mode then prevailing (for purposes of this Section, the "Current Mode") to another Mode (for purposes of this Section, the "New Mode") specified in such written notice, and, if the change is to a Term Rate Mode, the length of the initial Interest Period. Notice of the proposed change in Mode shall be given to the Holders of the applicable Series pursuant to Section 3.08.

(2) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) with respect to the Bonds of such Series (together, in the case of a change to the Commercial Paper Mode, with the Interest Period(s) and Purchase Date(s)) shall be determined by the Remarketing Agent in the manner provided in Sections 2.04, 2.05, 2.06, 2.07, 2.08 and 2.09, as applicable, or, in the case of Auction Rate Securities, by the Auction Agent as provided in Section 2.10.

(3) Conditions Precedent.

(a) The Mode Change Date shall be a Business Day.

(b) Additionally, the Mode Change Date in the case of a change:

(i) from the Commercial Paper Mode, shall be a day which is the last Purchase Date for all Interest Periods for such Bonds set by the Remarketing Agent; and

(ii) from the Term Rate Mode, shall be the Purchase Date for such Bonds for the current Interest Period.

(c) The Fiscal Agent, the Tender Agent (if any), the Auction Agent (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Remarketing Agent (if any) shall have received on the Mode Change Date a Favorable Opinion of Bond Counsel dated the Mode Change Date and addressed to the Fiscal Agent, the Tender Agent (if any), the Auction Agent (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and the Remarketing Agent (if any).

(d) If the Current Mode is the Commercial Paper Mode, no Interest Period set after delivery by the County to the Remarketing Agent of the notice of the intention to effect a change in Mode shall extend beyond the proposed Mode Change Date.

(e) If the Current Mode is a Mode other than an Auction Mode and the New Mode is an Auction Mode, the County shall have appointed an Auction Agent and a Broker-Dealer.

(f) If the Current Mode is the Auction Mode, the County shall have appointed a Remarketing Agent and a Tender Agent.

(g) The County may revoke its election to effect a conversion of the interest rate on the Bonds to another Mode by giving written notice of such revocation to the Fiscal Agent, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Auction Agent, if any, the Tender Agent and the Broker-Dealer, if any, at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date and if the Bonds bear interest at an Auction Period Rate an Auction for such Bonds shall be held on such date as if no notice of conversion had ever been given.

(h) If there shall be no Liquidity Facility in effect to provide funds for the purchase of Bonds of such Series on the Mode Change Date, the remarketing proceeds available on the Mode Change Date shall be not less than the amount required to purchase all of the Bonds of such Series at the Purchase Price (unless the County, in its sole discretion, elects to transfer to the Tender Agent the amount of such deficiency on or before the Mode Change Date).

(4) Failure to Satisfy Conditions Precedent to Mode Change. If the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and (a) if the change was from a Commercial Paper Mode, the Bonds of such Series shall remain in the Commercial Paper Mode with interest rates with respect thereto and Interest Periods to be established in accordance with Section 2.05; (b) if the change was from an Auction Mode, the Bonds of such Series shall remain in the Auction Mode, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Rate; and (c) otherwise, all Bonds of such Series shall be changed to a Daily Mode.

(B) Change to Fixed Rate Mode. At the option of the County, Bonds of any Series may be changed to the Fixed Rate Mode as provided in this Section 2.11(B). Not less than 30 days (or such shorter time as may be agreed to by the Fiscal Agent, the Remarketing Agent (if any) and Auction Agent (if any)) before the proposed Mode Change Date, the County shall give written notice to the Fiscal Agent, the Tender Agent (if any), the Remarketing Agent (if any), the Auction Agent (if any), the Broker-Dealer (if any), the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) and each Rating Agency then rating the Bonds stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date. Any such change in Mode shall be made as follows:

(a) The Mode Change Date to a Fixed Rate Mode shall be: (i) in the case of a conversion from a Daily Mode or a Weekly Mode a regularly scheduled Interest Payment Date on which interest is payable for the Daily Mode or Weekly Mode from which the conversion is to be made; (ii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; (iii) in the case of a conversion from a Commercial Paper Mode, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the Bonds to be converted; and (iv) in the case of a conversion from an ARS Rate Period, the Interest Payment Date following the final Auction Period.

(b) Not less than seven (7) Business Days prior to the date on which the Fiscal Agent is required to notify the registered owners of the conversion pursuant to subparagraph (c) below, the County shall give written notice of the conversion to the Fiscal Agent, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Auction Agent, if any, the Tender Agent and the Broker-Dealer, if any, setting forth the proposed Mode Change Date. Together with such notice, the County shall file with the Fiscal Agent, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, an Opinion of Bond Counsel to the effect that the conversion of the Bonds to the Fixed Rate Mode, including the assignment of new maturity dates and amortization requirements pursuant to subparagraph (g) of this Section 2.11(B), shall not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No conversion to the Fixed Rate Mode shall occur unless the County shall also file with the Fiscal Agent an Opinion of Bond Counsel to the same effect dated the Mode Change Date.

(c) In the event of a conversion from a Daily Mode, Weekly Mode, a Term Rate Mode or a Commercial Paper Mode, the Fiscal Agent shall mail a notice of the proposed conversion to the registered owners of all Bonds to be converted not less than thirty (30) days prior to the proposed Mode Change Date. Such notice shall state that the Bonds to be converted shall be subject to mandatory tender at a price equal to 100% of the principal amount thereof plus accrued interest on the Mode Change Date. In the event of a conversion from an ARS Rate Period, the Fiscal Agent shall mail a notice of the proposed conversion to the registered owners of all Bonds to be converted not less than twenty (20) days prior to the proposed Mode Change Date. Such notice shall state that the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The principal portion of the purchase price of the Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds shall not be subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Rate.

(d) Not later than 12:00 noon, New York City time, on the Business Day prior to the Mode Change Date, the Remarketing Agent shall determine the Fixed Rate Mode for the Bonds to be converted.

(e) Such determination shall be conclusive and binding upon the County, the Fiscal Agent, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Broker-Dealer, if any, the Auction Agent, if any, the Tender Agent and the Beneficial Owners of the Bonds to which such rate shall be applicable. Not later than 5:00 p.m., New York City time, on the date of determination of the Fixed Rate Mode, the Remarketing Agent shall notify the Fiscal Agent, the County, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, of such rate by telephone.

(f) The County may revoke its election to effect a conversion of the interest rate on the Bonds to the Fixed Rate Mode by giving written notice of such revocation to the Fiscal Agent, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Auction Agent, if any, the Tender Agent and the Broker-Dealer, if any, at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date and if the Bonds bear interest at an Auction Period Rate an Auction for such Bonds shall be held on such date as if no notice of conversion had ever been given.

(g) Prior to the conversion of any of the Bonds to a Fixed Rate Mode pursuant to this Section 2.11(B), the Remarketing Agent shall deliver to the County, the Credit Facility Provider, if any, the Liquidity Facility Provider, if any, and the Fiscal Agent a certificate which includes a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate Mode which shall mature on December 1 of the years specified in such schedule and the interest rate payable on the Bonds to be converted to a Fixed Rate Mode of each such maturity date and a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate Mode maturing on December 1 of the years specified in such schedule or to be called for mandatory redemption pursuant to the amortization requirements on December 1 of the Bond Years specified in such schedule. In determining the maturity dates, amortization requirements and interest rates, the Remarketing Agent shall use the following guidelines:

(i) The Remarketing Agent shall determine the schedule of principal payments on the Bonds to be converted to a Fixed Rate Mode to achieve annual level debt service with respect to the converted Bonds. In making such schedule, the Remarketing Agent shall, to the extent necessary, alternately round down and up to the nearest $5,000 the amount allocable to the Bonds which are being converted;

(ii) The Remarketing Agent shall allocate the Bonds to be converted to a Fixed Rate Mode between serial bonds and term bonds in such manner as shall produce the lowest aggregate interest payable with respect to such Bonds; and

(iii) The Remarketing Agent shall set the interest rate on each Bond to be converted to a Fixed Rate Mode of a particular maturity date at the lowest interest rate that shall enable such Bond, upon conversion, to be remarketed at par (plus any accrued interest) taking into account the maturity date of such Bond and amortization requirements with respect to the Bonds of such maturity date.

Notwithstanding anything above to the contrary, if due to the serialization of the Bonds pursuant to subsection (g)(ii) above, Bond Counsel cannot render a Favorable Opinion of Bond Counsel, then no such serialization shall occur.

The foregoing notwithstanding, the County may agree to another method for providing for payment of principal of the Bonds after the Mode Change Date if (i) the Remarketing Agent deems the utilization of such other method necessary in order to remarket the Bonds at a price of par and (ii) there is delivered to the Fiscal Agent by the County an Opinion of Bond Counsel to the effect that utilization of such other method shall not adversely affect the validity of any Bonds or any exclusion from federal income taxation to which the interest on the Bonds would otherwise be entitled.

(h) Mandatory redemption of the Bonds converted to the Fixed Rate Mode by operation of the Sinking Fund Account shall be without premium. The Bonds converted to the Fixed Rate Mode shall be redeemed by the Fiscal Agent pursuant to the provisions of this Section and Article IV without any notice from or direction by the County.

(i) If on the proposed Mode Change Date any condition precedent to such conversion is not satisfied and the Bonds bear interest at the Auction Period Rate, the Fiscal Agent shall give notice by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the registered owners of the Bonds, the County, the Broker-Dealer and the Credit Facility Provider, if any, that such conversion has not occurred, that the Bonds shall not be purchased on the failed Mode Change Date, that the Auction Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to the Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Mode Change Date, and that the interest rate shall continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Bonds during the Auction Period commencing on such failed Mode Change Date shall be the Maximum Rate, and the Auction Period shall be the seven-day Auction Period.

(j) If the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and (a) if the change was from a Commercial Paper Mode, the Bonds of such series shall remain in the Commercial Paper Mode with interest rates with respect thereto and Interest Periods to be established in accordance with Section 2.05; and (b) otherwise, all Bonds of such series (except Bonds bearing interest at the Auction Period Rate which are addressed in (i) above) shall be changed to a Daily Mode.

SECTION 2.12. Form of Bonds. The Bonds and the form of assignment to appear thereon shall be initially in substantially the form as set forth in Exhibit B, with necessary or appropriate variations, omissions and insertions as permitted or required hereby. Upon any change in Mode, a new form of Bonds may be prepared which contains the terms of the Bonds applicable in the new Mode.

SECTION 2.13. Transfer of Bonds. Subject to the provisions of Section 2.18, any Bond may, in accordance with its terms, be transferred, upon the bond registration books required to be kept pursuant to the provisions of Section 2.15, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent.

Whenever any Bond or Bonds shall be surrendered for transfer, the County shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount of the same Series. The Fiscal Agent shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Fiscal Agent shall not transfer any Bond if the Fiscal Agent has received notice from the Remarketing Agent to the effect that the Remarketing Agent has received notice of tender of such Bond from the Holder of such Bond pursuant to Section 4.06.

The Fiscal Agent shall not be required to transfer any Bond, except to the Credit Facility Provider (if any), during the 15 days immediately preceding (1) the date on which notice of redemption of Bonds is given or (2) the date on which Bonds will be selected for redemption.

SECTION 2.14. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office, for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Fiscal Agent shall require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

The Fiscal Agent shall not be required to exchange any Bond, except to the Credit Facility Provider (if any), during the 15 days immediately preceding (1) the date on which notice of redemption is given or (2) the date on which Bonds will be selected for redemption.

SECTION 2.15. Bond Register. The Fiscal Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection during regular business hours by the County; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.16. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the County, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Certificate as may be appropriate. Every temporary Bond shall be executed by the County in substantially the same manner as the definitive Bonds. If the County issues temporary Bonds it will issue definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office, and the Fiscal Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Bond Certificate as definitive Bonds delivered hereunder.

SECTION 2.17. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the County, at the expense of the Holder of said Bond, shall execute, and the Fiscal Agent shall thereupon deliver, a new Bond of like tenor and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be cancelled by it and delivered to, or upon the order of, the County. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County and the Fiscal Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the County, at the expense of the Holder, shall execute, and the Fiscal Agent shall thereupon deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Fiscal Agent may pay the same without surrender thereof). The County may require payment by the Holder of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses that may be incurred by the County and the Fiscal Agent in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the County whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Bond Certificate with all other Bonds.

SECTION 2.18. Use of Securities Depository. Notwithstanding any provision of this Bond Certificate to the contrary:

(A) The Bonds shall be initially issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) ("substitute depository"); provided that any successor of the Securities Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the County upon (a) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (b) a determination by the County that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (a) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository can be obtained or (b) a determination by the County that it is in the best interests of the County to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A), upon receipt of the Outstanding Bonds by the Fiscal Agent, together with a Certificate of the County to the Fiscal Agent, a single new Bond shall be executed and delivered for each Series of Bonds in the aggregate principal amount of the Bonds of such Series then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the County. In the case of any transfer pursuant to clause (3) of subsection (A), upon receipt of the Outstanding Bonds by the Fiscal Agent together with a Certificate of the County to the Fiscal Agent, new Bonds shall be executed and delivered and registered in the names of such persons as are requested in such a Certificate of the County, subject to the limitations of Section 2.02, provided the Fiscal Agent shall not be required to deliver such new Bonds within a period less than 60 days from the date of receipt of such a Certificate of the County.

(C) In the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Fiscal Agent.

(D) The County and the Fiscal Agent shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of this Bond Certificate and any applicable laws, notwithstanding any notice to the contrary received by the

Fiscal Agent or the County; and the County and the Fiscal Agent shall have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any beneficial Holders of the Bonds. Neither the County nor the Fiscal Agent will have any responsibility or obligations, legal or otherwise, to the beneficial Holders or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Holder of any Bond.

(E) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the County and the Fiscal Agent shall cooperate with Cede & Co., as sole registered Bondholder, and its registered assigns in effecting payment of the principal of and premium, if any, and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, all as provided in the blanket Letter of Representations between the Fiscal Agent and the Securities Depository.

(F) Notwithstanding anything to the contrary contained in this Bond Certificate, for so long as Cede & Co., as nominee of the Securities Depository is the sole registered owner of the Bonds, all tenders and deliveries of Bonds under the provisions of this Bond Certificate shall be made pursuant to the Securities Depository's procedures as in effect from time to time and neither the County, the Tender Agent nor the Fiscal Agent shall have any responsibility for or liability with respect to the implementation of such procedures.

ARTICLE III

REDEMPTION AND TENDER OF BONDS

SECTION 3.01. Terms of Redemption and Purchase in Lieu of Redemption. The Bonds are subject to redemption and purchase in lieu of redemption as set forth below. All redemptions should be in integral multiples of the Authorized Denominations. As a condition of optional redemption by the County, the prior written consent of the Credit Facility Provider shall be required, provided such consent shall not be unreasonably withheld.

(A) Optional Redemption of Bonds in the Commercial Paper Mode. Bonds in the Commercial Paper Mode are not subject to optional redemption prior to their respective Purchase Dates.

(B) Optional Redemption of Bonds in the Daily Mode or the Weekly Mode. Bonds in the Daily Mode or the Weekly Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the County, in whole on any date or in part on any Interest Payment Date at a Redemption Price equal to the principal amount of Bonds called for redemption, without premium.

(C) Optional Redemption of Bonds in the Term Rate Mode or the Fixed Rate Mode.

(1) Bonds in a Term Rate Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the County, in whole on any date or in part on their Purchase Date at a Redemption Price equal to the principal amount of Bonds called for redemption, without premium.

(2) Bonds in the Term Rate Mode or Fixed Rate Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the County, at such times and upon such terms as shall be specified by the County in a schedule to be delivered to the Fiscal Agent on or prior to such change to such Term Rate Mode or Fixed Rate Mode.

(D) Optional Redemption of Bonds in the Auction Mode. Bonds in the Auction Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the County, in whole or in part on the Interest Payment Date immediately following the end of an Auction Period at a Redemption Price equal to the principal amount of Bonds called for redemption, without premium; provided that after any optional redemption there should be not less than $10,000,000 in aggregate principal amount of any Bonds of a Series bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealers. All redemptions should be in integral multiples of the Authorized Denomination.

(E) Sinking Fund Redemption. (i) The Series A Bonds are also subject to redemption prior to their stated Maturity Date, in part, on December 1 of each of the years set forth below, in the principal amounts set forth below, together with interest accrued thereon to the date fixed for redemption, without premium.

Year (Principal Payment Date)	Mandatory Sinking Fund Payment
2009	$1,820,000
2010	1,910,000
2011	2,005,000
2012	2,105,000
2013	2,210,000
2014	2,255,000
2015	2,345,000
2016	2,245,000
2017	2,360,000
2018	2,365,000
2019	2,485,000
2020	2,600,000
2021	2,630,000
2022	2,765,000
2023	2,900,000

(2) The Series B Bonds are also subject to redemption prior to their stated Maturity Date, in part, on December 1 of each of the years set forth below, in the

principal amounts set forth below, together with interest accrued thereon to the date fixed for redemption, without premium.

Year (Principal Payment Date)	Mandatory Sinking Fund Payment
2009	$2,080,000
2010	2,180,000
2011	2,290,000
2012	2,405,000
2013	2,525,000
2014	2,575,000
2015	2,685,000
2016	2,565,000
2017	2,695,000
2018	2,705,000
2019	2,840,000
2020	2,970,000
2021	3,010,000
2022	3,160,000
2023	3,315,000

Notwithstanding the foregoing, when any Auction Rate Securities are to be redeemed from Mandatory Sinking Fund Payments as described above, if such December 1 is not an Interest Payment Date, the redemption from Mandatory Sinking Fund Payments shall occur on the Interest Payment Date immediately preceding such December 1. All redemptions should be in integrals of the Authorized Denominations.

(F) Purchase in Lieu of Redemption. Whenever Bonds are subject to redemption, they may instead be purchased at the option of the County at a purchase price equal to the Redemption Price. The County shall give written notice thereof and of the Bonds of the Series and maturity to be so purchased to the Fiscal Agent. The Fiscal Agent shall select the particular Bonds of such Series and maturity to be so purchased in the same manner as provided in Section 3.02 hereof for the selection of Bonds to be redeemed in part. Promptly thereafter, the Fiscal Agent shall give notice of the purchase of such Bonds at the times and in the manner provided in Section 3.03 hereof for notice of redemption. The Fiscal Agent shall not give such notice unless prior to the date such notice is given the County has caused to be delivered to the Fiscal Agent the written consent to such purchase of the County. All such purchases may be subject to conditions to the County's obligation to purchase such Bonds and shall be subject to the condition that money from the Credit Facility for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner required above, then, if sufficient money to pay the purchase price of such Bonds is held by the Fiscal Agent, the purchase price of the Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such Bonds (other than Book Entry Bonds) to be purchased at the office or offices specified in such notice, and, in the case of Bonds presented by other than the Owner, together with a written instrument of transfer duly executed by the Owner or his duly authorized attorney. Payment of the purchase price of such Bonds shall be made, upon the request of the Owner of one million dollars ($1,000,000) or more in principal amount of Bonds to be so purchased, by wire transfer to such Owner at the wire transfer address in the continental United States to which such Owner has prior to the purchase date directed in writing the Fiscal Agent to wire such purchase price. No purchased Bond shall be considered to be no longer Outstanding by virtue of its purchase and each such purchased Bond that is not a Book Entry Bond shall be registered in the name or at the direction of the County. Notwithstanding the foregoing provisions of this Section 3.01(F), if and to the extent that there are any Liquidity Facility Bonds outstanding at any time, the County will redeem said Liquidity Facility Bonds prior to purchasing any Bonds as described in this Section 3.01(F).

(G) Liquidity Facility Bonds. Liquidity Facility Bonds will be redeemed at such times, in such amounts and by such means as are set forth in the Liquidity Facility.

SECTION 3.02. Selection of Bonds for Redemption. Whenever provision is made in this Bond Indenture for the redemption of less than all of the Bonds of a Series or any given portion thereof, subject to Section 3.01 hereof, the Fiscal Agent shall select the Bonds of such Series to be redeemed, in the authorized denominations specified in Section 2.02, by lot, in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair; provided, however, that Liquidity Facility Bonds of such Series shall be redeemed prior to any other Bonds of such Series. The Fiscal Agent shall promptly notify the County in writing of any redemption of the Bonds or portions thereof so selected for redemption. The selection of Bonds shall be at such time as determined by the Fiscal Agent.

SECTION 3.03. Notice of Redemption. Notice of redemption shall be mailed by first-class mail by the Fiscal Agent, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Rating Agencies then rating the Bonds and to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Fiscal Agent. Each notice of redemption shall state the date of such notice, the date of delivery and Series designation of the Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Fiscal Agent), the CUSIP number (if any) of the Bonds, to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such Bond shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Fiscal Agent specified in the redemption notice.

While the Bonds are in an Auction Mode, in addition to any requirement set forth herein in the event of a redemption or defeasance, notice of such redemption or defeasance shall comply with the following requirements. The Fiscal Agent shall notify the Auction Agent by Electronic Means of any notice of redemption or defeasance on the date received and prior to sending the notice to the Securities Depository as Holder of the Bonds. In the case of a partial redemption or defeasance, the Fiscal Agent shall verify with the Auction Agent by Electronic Means the lottery publication date to be used in the notice. The Fiscal Agent shall then send the notice of redemption or defeasance to the Securities Depository.

If the Fiscal Agent and the Auction Agent are unable to verify a lottery publication date prior to sending a notice of partial redemption or defeasance to the Securities Depository, then such notice shall include, under an item entitled "Publication Date for Securities Depository Purposes," the Securities Depository lottery publication date applicable to such Bonds, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such Bonds (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of Bonds in the daily Auction Period).

On the lottery publication date prior to the Redemption/Defeasance Date with respect to such Bonds, the Fiscal Agent shall request the lottery results from the Securities Depository. Upon receipt, the Fiscal Agent shall notify the Auction Agent by Electronic Means of such lottery results, i.e. the identities of the Participants and the respective principal amounts from the accounts of Bonds which have been called for redemption or defeasance. At least two (2) Business Days prior to the Redemption/Defeasance Date with respect to Bonds being partially redeemed or defeased, the Auction Agent shall request each eligible Broker-Dealer to disclose to the Auction Agent (upon selection by such Participant of the Existing Owners whose Bonds are to be redeemed or defeased) the aggregate principal amount of such Bonds of each such Existing Owner, if any, to be redeemed or defeased. By the close of business on the day the Auction Agent receives any notice pursuant to this paragraph, the Auction Agent shall forward the contents of such notice to the related Broker-Dealer by Electronic Means.

Notice of redemption of Bonds shall be given by the Fiscal Agent, at the expense of the County.

Failure by the Fiscal Agent to mail notice of redemption pursuant to this Section 3.03 to the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), the Rating Agencies then rating the Bonds or to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holder or Holders to whom such notice was mailed.

Any notice given pursuant to this Section 3.03 may be conditional and may be rescinded by written notice given to the Fiscal Agent by the County no later than 5 Business Days prior to the date specified for redemption. The Fiscal Agent shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given pursuant to this Section 3.03.

SECTION 3.04. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the Fiscal Agent shall authenticate and deliver to the Holder thereof, at the expense of the County, a new Bond or Bonds of authorized denominations of the same Series equal in aggregate principal amount to the redeemed portion of the Bond surrendered.

SECTION 3.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Fiscal Agent, on the date fixed for redemption designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice plus interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Certificate, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

SECTION 3.06. Optional Tenders of Bonds in the Daily Mode or the Weekly Mode. The Holders of Eligible Bonds in a Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of those Bonds in amounts equal to the lowest denomination then authorized pursuant to Section 2.02) purchased on any Business Day in the case of Bonds in a Daily Mode or a Weekly Mode, in each case at a price equal to the Purchase Price,

(i) in the case of Bonds in a Daily Mode, upon delivery of an irrevocable written notice of tender by Electronic Means and an irrevocable telephonic notice of tender to the Remarketing Agent and the Tender Agent not later than the Tender Notice Deadline; and

(ii) in the case of Bonds in a Weekly Mode, upon delivery of an irrevocable written notice of tender by Electronic Means and irrevocable telephonic notice of tender to the Remarketing Agent and the Tender Agent, promptly confirmed in writing to the Tender Agent, not later than the Tender Notice Deadline.

Such notices of tender shall state the CUSIP number, Series designation, Bond number (if the Bonds are not registered in the name of the Securities Depository) and the principal amount of such Bond and that such Bond shall be purchased on the Purchase Date specified above. Payment of the Purchase Price shall be made pursuant to this Section 3.06 only if the Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice described in this Section 3.06. A Holder who gives the notice of tender as set forth above may repurchase the Bonds so tendered on such Purchase Dates if the Remarketing Agent agrees to sell the Bonds so tendered to such Holder. If such Holder decides to repurchase such Bonds and the Remarketing Agent agrees to sell the specified Bonds to such Holder, the delivery requirements set forth in Section 3.12(D) shall be waived. The Tender Agent may assume that a Bond is an Eligible Bond unless it has actual knowledge to the contrary.

SECTION 3.07. Mandatory Purchase at End of Commercial Paper Rate Periods. Each Bond in the Commercial Paper Mode is subject to mandatory purchase on the Purchase Date for the current Interest Period at the Purchase Price. No notice of such mandatory purchase shall be given to the Holders.

SECTION 3.08. Mandatory Purchase on Mode Change Date.

(A) Bonds to be changed from one Mode to another Mode (other than a change to the Fixed Rate Mode, which Bonds are subject to mandatory purchase pursuant to subsection (B) of this Section 3.08) are subject to mandatory purchase on the Mode Change Date at the Purchase Price as provided in this subsection (A). The Tender Agent shall give notice of such mandatory purchase by Electronic Means to the Holders of the Bonds subject to mandatory purchase no less than 4 Business Days prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to give such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

(B) Bonds to be changed to the Fixed Rate Mode are subject to mandatory purchase on the Mode Change Date at the Purchase Price (subject to Section 2.08). The Tender Agent shall give notice of such mandatory purchase as part of the notice of change of Mode to be sent to the Holders pursuant to Section 2.11(A)(1). The failure to give such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

SECTION 3.09. Mandatory Purchase at End of Interest Period for Term Rate Mode. Bonds in the Term Rate Mode are subject to mandatory purchase on the Purchase Date for the current Interest Period at the Purchase Price. The Tender Agent shall give notice of such mandatory purchase by mail to the Holders of the Bonds subject to mandatory purchase no less than 30 days prior to the Mandatory Purchase Date. The notice shall state the Mandatory Purchase Date, the Purchase Price and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The Tender Agent may assume that a Bond is an Eligible Bond unless it has actual knowledge that such Bond is not an Eligible Bond. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

SECTION 3.10. Mandatory Purchase on Expiration Date, Substitute Liquidity Facility Date and Substitute Credit Facility Date. On each Substitute Liquidity

Facility Date and Substitute Credit Facility Date, and on the second Business Day preceding each Expiration Date, the Eligible Bonds shall be subject to mandatory purchase on such date at the Purchase Price (payable from the existing Credit Facility); provided, however, that the Bonds shall not be subject to Mandatory Purchase on the Substitute Liquidity Facility Date or Substitute Credit Facility Date or the second Business Day preceding each Expiration Date if (1) on or prior to the 15th day prior to such Expiration Date, Substitute Liquidity Facility Date or Substitute Credit Facility Date, the County has furnished to the Fiscal Agent an agreement to extend the Liquidity Facility or Credit Facility, as applicable or (2) the Fiscal Agent receives written confirmation from each Rating Agency then rating the Bonds to the effect that immediately following such Substitute Liquidity Facility Date or Substitute Credit Facility Date or Expiration Date there will be no withdrawal or reduction of the long-term and short-term rating then in effect with respect to such Bonds and the Fiscal Agent gives notice of such substitution or expiration by mail to the Holders no less than 10 days prior to such substitution or expiration. Such notice shall also (i) specify, if applicable, that the County will be the only party obligated to purchase Eligible Bonds of the applicable Series upon the Expiration Date and (ii) state, if applicable, the name of the provider of the proposed Substitute Liquidity Facility or Substitute Credit Facility and the terms thereof. The notice shall also state the Mandatory Purchase Date, the Purchase Price and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder.

SECTION 3.11. Remarketing of Bonds; Notices.

(A) Remarketing of Bonds. The Remarketing Agent shall use its best efforts to offer for sale:

(1) all Bonds or portions thereof as to which notice of tender has been given pursuant to Section 3.06;

(2) all Bonds required to be purchased pursuant to Sections 3.07, 3.08, 3.09 and 3.10(A); and

(3) all Liquidity Facility Bonds.

(B) Notice of Remarketing; Registration Instructions; New Bonds. On each Purchase Date or Mandatory Purchase Date, as the case may be:

(1) unless the Remarketing Agent has notified the Tender Agent and the Fiscal Agent otherwise, the Remarketing Agent shall notify the Tender Agent and the Fiscal Agent by Electronic Means not later than 1:00 p.m., New York City time of the amount of tendered Bonds which were successfully remarketed, the names of the tendering Holders and the registration instructions (i.e., the names, addresses and taxpayer identification numbers of the purchasers

and the denominations then authorized pursuant to Section 2.02) with respect thereto (the Remarketing Agent may rescind or revise any such notice previously given up until the deadline for such notice); and

(2) the Fiscal Agent shall execute new Bonds for the respective purchasers thereof which shall be available for pick-up by the Remarketing Agent pursuant to Section 3.12(E).

(C) Transfer of Funds; Draw on Liquidity Facility. On each Purchase Date or Mandatory Purchase Date, as the case may be:

(1) the Remarketing Agent shall give notice to the Tender Agent of receipt of the Purchase Price of remarketed Bonds by 12:00 Noon New York City time;

(2) the Remarketing Agent shall cause to be paid to the Tender Agent the Purchase Price of the remarketed Bonds by 12:00 Noon New York City time;

(3) the Tender Agent shall give notice to the Fiscal Agent, the County and, if a Liquidity Facility is then in effect with respect to the Bonds subject to purchase, to the Liquidity Facility Provider (or the Tender Agent shall instruct the Fiscal Agent to give notice and the Fiscal Agent shall give notice) in accordance with the terms of the Liquidity Facility by 12:00 Noon New York City time (and promptly thereafter, the Tender Agent shall so notify the Securities Depository) of the amount equal to the Purchase Price of all Bonds tendered or deemed tendered less the aggregate amount of remarketing proceeds on hand;

(4) if a Liquidity Facility is then in effect with respect to the Bonds subject to purchase, whether or not notice, as required by clause (3) of this subsection (C) is given, the Tender Agent (or the Fiscal Agent if the Fiscal Agent is the beneficiary under the Liquidity Facility) shall draw on the Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:00 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith; and

(5) if a Liquidity Facility is not then in effect with respect to the Bonds subject to purchase or if the Liquidity Facility Provider (if any) has not paid the full amount required by clause (4) of this subsection (C) at the times required therein, the County has agreed in to pay to the Tender Agent by 2:00 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Bonds on

such date, to enable the Tender Agent to pay the Purchase Price in connection therewith.

SECTION 3.12. General Provisions Relating to Tenders.

(A) Purchase Fund. The Tender Agent shall establish and maintain a special fund designated as the "Purchase Fund," and within such fund three separate accounts designated, respectively, as the "Liquidity Facility Deposit Account," the "Remarketing Proceeds Account" and the "County Purchase Account." The money in the Purchase Fund shall be held in trust and applied solely as provided in this Section.

The Tender Agent shall deposit all moneys delivered to it hereunder for the purchase of Bonds into the Remarketing Proceeds Account and shall hold all such moneys in trust for the exclusive benefit of the Person that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Holders tendering such Bonds.

The Tender Agent shall deposit all moneys delivered to it hereunder from a payment by or on behalf of the Liquidity Facility Provider (if any) for the purchase of Bonds into the Liquidity Facility Deposit Account and shall hold all such moneys in trust for the exclusive benefit of the Liquidity Facility Provider (if any) until the Bonds purchased with such moneys shall have been delivered to or for the account of the Liquidity Facility Provider (if any) and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Holders tendering such Bonds.

The Tender Agent shall deposit all moneys delivered to it hereunder from a payment by or on behalf of the County for the purchase of Bonds into the County Purchase Account and shall hold all such moneys in trust for the exclusive benefit of the County until the Bonds purchased with such moneys shall have been delivered to or for the account of the County and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Holders tendering such Bonds.

Moneys in the Liquidity Facility Deposit Account, the Remarketing Proceeds Account and the County Purchase Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested. Neither the Fiscal Agent, the Tender Agent, the County nor any Holders (other than Holders for whom such moneys are being held in trust) shall have any right, title or interest in or to any moneys held in the Purchase Fund.

(B) Payment of Purchase Price. At or before close of business New York City time on the Purchase Date or Mandatory Purchase Date and upon receipt by the Tender Agent of the aggregate Purchase Price of the tendered Bonds, the Tender Agent shall pay the Purchase Price of such Bonds to the Holders by bank wire transfer in immediately available funds. The Tender Agent shall pay the Purchase Price from the following accounts and in the following order of priority: (1) the Remarketing Proceeds Account to the extent funds are available therein, (2) in the case of Eligible Bonds, the Liquidity Facility Deposit Account and (3) the County Purchase Account. The Tender Agent may assume that a Bond is an Eligible

Bond unless it has actual knowledge to the contrary. If at close of business New York City time on any Purchase Date or Mandatory Purchase Date any balance remains in the Liquidity Facility Deposit Account in excess of any unsatisfied purchase obligation, such excess shall be promptly returned to the Liquidity Facility Provider (if any). If at close of business New York City time on any Purchase Date or Mandatory Purchase Date any balance remains in the County Purchase Account in excess of any unsatisfied purchase obligation, such excess shall be promptly returned to the County.

(C) Inadequate Funds for Tenders. If the funds available for purchases of Eligible Bonds pursuant to this Article IV are inadequate for the purchase of all Bonds tendered on any Purchase Date or Mandatory Purchase Date, no purchase shall be consummated and the Tender Agent shall, after any applicable grace period, (1) return all tendered Bonds to the Holders thereof, (2) return all moneys deposited in the Remarketing Proceeds Account to the Remarketing Agent for return to the Persons providing such moneys, (3) return all moneys deposited in the Liquidity Facility Deposit Account to the Liquidity Facility Provider (if any) and (4) return all moneys deposited in the County Purchase Account to the County.

(D) Delivery of Bonds by Tendering Bondholders; Undelivered Bonds Deemed Purchased. All Bonds to be purchased on any date shall be required to be delivered to the principal corporate office of the Tender Agent at or before 12:00 Noon New York City time on such Purchase Date or Mandatory Purchase Date. If the Holder of any Bond (or portion thereof) that is subject to purchase pursuant to this Article IV fails to deliver such Bond to the Tender Agent for purchase on the Purchase Date or Mandatory Purchase Date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (E) below. Any Holder who fails to deliver such Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Tender Agent. The Tender Agent shall, as to any tendered Bonds that have not been delivered to it: (1) promptly notify the Remarketing Agent of such nondelivery; and (2) instruct the Fiscal Agent to place a stop transfer against an appropriate amount of Bonds registered in the name of such Holder(s) on the bond registration books. The Fiscal Agent shall place such stop(s) commencing with the lowest serial number Bond registered in the name of such Holder(s) until stop transfers have been placed against an appropriate amount of Bonds until the appropriate tendered Bonds are delivered to the Tender Agent who shall deliver such Bonds to the Fiscal Agent. Upon such delivery, the Fiscal Agent shall make any necessary adjustments to the bond registration books.

(E) Delivery of Bonds. On the Purchase Date or Mandatory Purchase Date, the Tender Agent shall direct the Fiscal Agent to deliver all Bonds purchased on any Purchase Date or Mandatory Purchase Date as follows: (1) Bonds purchased and remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:30 p.m. New York City time in accordance with the instructions of the Remarketing Agent; (2) Bonds purchased with amounts paid by or on behalf of the Liquidity Facility Provider (if any) shall be registered and made available in the name of or as directed in writing by the

Liquidity Facility Provider (if any) on or before 2:30 p.m. New York City time and become Liquidity Facility Bonds and (3) Bonds purchased with amounts paid by or on behalf of the County shall be registered and made available in the name of or as directed in writing by the County on or before 2:30 p.m. New York City time. Notwithstanding the foregoing, the Tender Agent shall not deliver any such Bonds unless it has received written notice from the Liquidity Facility Provider that the amount available for the purchase of Bonds (prior to a conversion to Fixed Rate) is at least equal to the aggregate amount of all Bonds then Outstanding (other than Liquidity Facility Bonds) plus an amount equal to (1) 35 days' interest on Bonds in a Daily Mode or a Weekly Mode or (2) 190 days' interest on Bonds in a Commercial Paper Mode or a Term Rate Mode (assuming an interest rate equal to 12% per annum).

(F) No Purchases or Sales After Payment Default. Anything in this Bond Certificate to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default described in Section 4.01(a) and the Credit Facility Provider (if any) has not paid such amount under the Credit Facility, then the Remarketing Agent shall not remarket any Bonds.

(G) The Remarketing Agent shall not remarket any Bonds to the County or any Person acting by or on behalf of the County.

SECTION 3.13. The Remarketing Agent. (a) The Remarketing Agent shall be appointed by the County and shall serve as such under the terms and provisions hereof. The Remarketing Agent and each successor Remarketing Agent appointed in accordance with this Bond Certificate shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to the County, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Fiscal Agent, and the Tender Agent, under which the Remarketing Agent will agree particularly:

(1) to hold all moneys delivered to it hereunder for the purchase of Bonds for the exclusive benefit of the Person or Persons that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such Person or Persons;

(2) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the County, the Fiscal Agent, the Tender Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) at all reasonable times;

(3) to determine the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate and the Fixed Rate and give notice of such rates in accordance with Article II hereof;

(4) to use its best efforts to find purchasers for the Bonds tendered for purchase, any such sale to be made at the Purchase Price in accordance with the terms of this Bond Certificate;

(5) use its best efforts not to remarket Bonds to the County or any Person acting by or on behalf of the County; and

(6) to deliver to the Tender Agent all Bonds held by it in accordance with the terms of this Bond Certificate and the Remarketing Agreement.

(B) If the Remarketing Agent shall resign, be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the County shall not have appointed a successor as Remarketing Agent, the Tender Agent shall ipso facto be deemed to be such Remarketing Agent for all purposes of this Bond Certificate until the appointment by the County of a successor Remarketing Agent; provided, however, that the Tender Agent, in its capacity as Remarketing Agent, shall not be required to sell Bonds or determine the interest rate on the Bonds hereunder if the Tender Agent should be prohibited by law from conducting such activities. The County will notify each Liquidity Facility Provider, if any, and each Rating Agency then rating the Bonds of any successor Remarketing Agent or co-Remarketing Agent.

(C) The Remarketing Agent may in good faith hold the Bonds or any other form of indebtedness issued by the County or any security issued by the County; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof; and make disbursements therefor and enter into any commercial or business arrangement therewith; all without any liability on the part of the Remarketing Agent for any real or apparent conflict of interest by reason of any such actions.

SECTION 3.14. Qualifications of Remarketing Agent.

(A) The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it. The Remarketing Agent may at any time resign and be discharged of the duties and obligations described in this Bond Certificate by giving at least 30 days' notice to the County and the Fiscal Agent. Successor Remarketing Agents may be appointed from time to time by the County if not objected to by the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any). The Remarketing Agent may be removed upon 30 days' notice of the County to the Remarketing Agent, the Fiscal Agent, the Tender Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any), so long as a successor Remarketing Agent shall have assumed the duties thereof by the effective date of such removal.

(B) Notwithstanding any other provision to the contrary contained herein, any corporation or association into which the Remarketing Agent may be converted or merged, or with which it may be consolidated, or to which it may be consolidated, or to which it may sell or transfer its marketing business and assets as a whole or substantially as a whole, shall become successor Remarketing Agent hereunder and fully vested with all of the rights, powers, trusts, duties and obligations of Remarketing Agent hereunder, without the execution or filing of any instrument or any further act.

SECTION 3.15. The Tender Agent. (A) The Tender Agent shall be appointed by the County and shall serve as such under the terms and provisions hereof. The Tender Agent and each successor Tender Agent appointed in accordance with this Bond Certificate shall designate its principal corporate office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to the County, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, and the Fiscal Agent, if different, under which each Tender Agent will agree, particularly:

(1) to hold all Bonds delivered to it for purchase hereunder in trust for the exclusive benefit of the respective Holders that shall have so delivered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Holders;

(2) to hold all moneys delivered to it hereunder for the purchase of Bonds in trust for the exclusive benefit of the Person that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Holders tendering such Bonds;

(3) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the County, the Fiscal Agent, the Remarketing Agent, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) at all reasonable times; and

(4) for any Bonds in the Commercial Paper Mode, the Tender Agent shall assign such CUSIP numbers to the Bonds on each Rate Determination Date as provided in Section 2.05.

SECTION 3.16. Qualifications of Tender Agent and Fiscal Agent.

(A) The Tender Agent and Fiscal Agent and each successor thereto shall be a commercial bank with trust powers or trust company duly organized under the laws of the United States of America or any state or territory thereof, and authorized by law to perform all duties imposed upon it hereunder. The Tender Agent and the Fiscal Agent must be the same person. The Tender Agent and Fiscal Agent shall have an office, affiliate office or agency in New York, New York. The Tender Agent or Fiscal Agent may at any time resign and be discharged of its duties and obligations by giving at least 60 days' notice to the County, the Remarketing Agent, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any), and all Holders of Bonds then Outstanding. Any Tender Agent or Fiscal Agent may be removed at any time by the County upon notice to the Fiscal Agent, the Tender Agent, the Remarketing Agent, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) and each Rating Agency then rating the Bonds. Any resignation or removal of the Tender

Agent and/or Fiscal Agent and appointment of a successor thereto Agent shall become effective upon acceptance of appointment by such successor. Successor Tender Agents and Fiscal Agents may be appointed from time to time by the County if not objected to by the Credit Facility Provider (if any) or the Liquidity Facility Provider (if any). The Fiscal Agent shall provide notice of such successor Tender Agent and Fiscal Agent to all Holders of the Bonds.

(B) Upon the resignation or removal of a Tender Agent or Fiscal Agent such Tender Agent or Fiscal Agent shall deliver any Bonds, and moneys held by it in such capacity to its successor.

(C) Notwithstanding any other provision to the contrary contained herein, any corporation or association into which the Tender Agent and/or Fiscal Agent may be converted or merged, or with which it may be consolidated, or to which it may be consolidated, or to which it may sell or transfer its marketing business and assets as a whole or substantially as a whole, shall become successor Tender Agent and/or Fiscal Agent hereunder, as the case may be, and fully vested with all of the rights, powers, trusts, duties and obligations of Tender Agent and/or Fiscal Agent, as the case may be, hereunder, without the execution or filing of any instrument or any further act.

(D) Any successor Fiscal Agent must agree to execute a fiscal agency agreement in substantially the same form as the Fiscal Agency Agreement.

SECTION 3.17. Auction Agent. (a) The Auction Agent shall be appointed by the County to perform the functions specified herein. The Auction Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the County, the Credit Facility Provider, if any, the Liquidity Facility Provider, if any, the Fiscal Agent and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the County and the Fiscal Agent.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

SECTION 3.18. Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $30,000,000, or (b) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this Bond Certificate and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Bond Certificate or may be removed at any time by the County as provided in the Auction Agreement. Upon any such resignation or removal, the County shall appoint a successor Auction Agent meeting the requirements of this section, subject to Credit Facility Provider consent. In the event of the resignation or removal of the Auction Agent, the

Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the County; provided, however, that if a successor Auction Agent has not been appointed within 45 days of the giving of such notice of resignation of removal of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a substitute Auction Agent. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to the County, the Credit Facility Provider, if any, and the Fiscal Agent even if a successor Auction Agent has not been appointed.

SECTION 3.19. Credit Facility; Liquidity Facility; Alternative Facility. (a) At any time that the Bonds bear interest at the Daily Rate, the Weekly Rate, the Auction Rate or the Commercial Paper Rate, the County shall provide a Credit Facility and/or a Liquidity Facility for the Bonds to the Fiscal Agent.

(b) The County shall provide the Fiscal Agent on or before the issuance of the Bonds of an initial Credit Facility (including an initial Liquidity Facility) and thereafter may provide the Fiscal Agent with a Substitute Credit Facility and/or Substitute Liquidity Facility.

(c) At the direction of the County, the Fiscal Agent shall execute and delivery any instrument that, upon such execution and delivery by the Fiscal Agent, would constitute a Credit Facility or Liquidity Facility.

(d) The County shall deliver to the Fiscal Agent, the Tender Agent and the Remarketing Agent a copy of each Credit Facility and Liquidity Facility obtained pursuant to this article on the effective date thereof. If at any time there shall have been delivered to the Fiscal Agent a Substitute Credit Facility or Substitute Liquidity Facility, then, providing that any condition to substitution contained in the existing Credit Facility, if any, and Liquidity Facility, if any, shall have been satisfied, the Fiscal Agent shall accept such Substitute Credit Facility and/or Substitute Liquidity Facility, and shall surrender the Credit Facility and/or Liquidity Facility then in effect, as applicable, to the Credit Facility Provider and/or Liquidity Facility Provider on the date such Substitute Credit Facility or Substitute Liquidity Facility takes effect. In the event of an extension of the Expiration Date, the County shall give the Fiscal Agent, the Tender Agent and the Remarketing Agent a written notice of the new Expiration Date at least fifteen (15) days prior to the date the Bonds shall be subject to mandatory tender pursuant to Section 310. In the event of a substitution of a Liquidity Facility or Credit Facility, the County shall give the Fiscal Agent, the Tender Agent, and the Remarketing Agent a written notice of the effective date of Substitute Credit Facility and/or Substitute Liquidity Facility at least fifteen (15) days prior to such effective date. The County shall give the Fiscal Agent, Tender Agent and the Remarketing Agent a written notice of its election to terminate the Liquidity Facility or Credit Facility at least fifteen (15) days prior to the date the Bonds shall be subject to mandatory tender pursuant to Section 3.10 resulting from its election to terminate same.

(e) In no event shall the Fiscal Agent surrender or cancel a Credit Facility or Liquidity Facility unless it has received funds, either from proceeds of remarketing or a draw under the Liquidity Facility or Credit Facility to be surrendered or cancelled, sufficient to pay the Purchase Price of the Bonds to the date of purchase.

(f) The Trustee shall not sell, assign or otherwise transfer the Liquidity Facility or Credit Facility except to a successor Fiscal Agent hereunder and in accordance with the terms of such Credit Facility, Liquidity Facility and the Bond Certificate.

(g) On or prior to the effective date of the Substitute Credit Facility or Substitute Liquidity Facility, no drawing under a Substitute Credit Facility or Substitute Liquidity Facility shall be made by the Fiscal Agent if the predecessor Credit Facility or Liquidity Facility shall be effective and available to make drawings thereunder on the date of such drawing. After the effective date of the Substitute Credit Facility or Substitute Liquidity Facility, no drawing under a predecessor Credit Facility or Liquidity Facility shall be made by the Fiscal Agent if the Substitute Credit Facility or Substitute Liquidity Facility shall be effective and available to make drawings thereunder on the date of such drawing.

(h) The Fiscal Agent shall not draw on the Credit Facility or Liquidity Facility with respect to any Bond that is not an Eligible Bond.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES OF BOND HOLDERS

SECTION 4.01. Events of Default. Any one or more of the following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;

(C) default by the County in the observance of any of the other covenants, agreements or conditions on its part in this Bond Certificate or in the Bonds contained, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County by the Fiscal Agent, or to the County and the Fiscal Agent by the Credit Facility Provider (if any) or the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; or

(D) receipt by the Fiscal Agent of notice from the Credit Facility Provider (if any) that an Event of Default (as defined in the Reimbursement Agreement) has occurred under the related Reimbursement Agreement, including non-reinstatement, and requesting acceleration of the Bonds pursuant to Section 4.02 below.

SECTION 4.02. Acceleration of Maturities. During the continuance of an Event of Default described in Section 4.01 (A), (B) or (C), unless the principal of all the Bonds shall have already become due and payable, the Fiscal Agent upon the written request of the Credit Facility Provider (if any) or the Holders of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding with the written consent of the Credit Facility Provider (if any), to such action or upon the occurrence of an Event of Default described in Section 4.01(D), the Fiscal Agent shall, promptly upon such occurrence, by notice in writing to the County, the Credit Facility Provider (if any) and the Liquidity Facility Provider (if any), declare the principal of all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately and, upon any such declaration, the same shall become and shall be immediately due and payable, anything in this Bond Certificate or in the Bonds contained to the contrary notwithstanding. Upon any such declaration, the Fiscal Agent shall promptly draw upon any then existing Credit Facility in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds enhanced by such Credit Facility so declared to be due and payable. Interest on the Bonds shall cease to accrue as of the date of declaration. The Fiscal Agent, as promptly as feasible following acceleration of the Bonds, shall notify the Bondholders of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption; provided, however, that failure to give such notice shall not affect the acceleration of the Bonds.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, and before the Credit Facility has been drawn upon in accordance with its terms and honored, there shall have been deposited with the Fiscal Agent a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal, and the reasonable fees and expenses of the Fiscal Agent, including reasonable fees and expenses of its attorneys, and any and all other defaults known to the Fiscal Agent (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Fiscal Agent and the Credit Facility Provider (if any) or provision deemed by the Fiscal Agent and the Credit Facility Provider (if any) to be adequate shall have been made therefor, then, and in every such case, the Credit Facility Provider (if any) or the Holders of at least 66 2/3% in aggregate principal amount of the Bonds then Outstanding, with the written consent of the Credit Facility Provider (if any) and written confirmation that the Credit Facility (if any) has been reinstated to the Required Stated Amount by written notice to the County and to the Credit Facility Provider, if any, (with written notice from the Credit Facility Provider, if any, and Liquidity Facility Provider, if any, that they have rescinded any notice of default which was given) the Fiscal Agent may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Notwithstanding any other provision of this Bond Certificate except as provided in the following sentence, the Fiscal Agent may not exercise any remedy in the event of a default under Section 4.01(A), (B) or (C) hereof without the prior written consent of the Credit Facility Provider (if any), so long as the Credit Facility is in effect and the Credit Facility Provider (if any) is not in default under its payment obligations under the Credit

Facility. The Fiscal Agent may exercise any and all remedies under this Bond Certificate (except acceleration) to collect any fees or expenses due from the County to the Fiscal Agent without obtaining the consent of the Credit Facility Provider (if any); provided that the Fiscal Agent shall first provide written notice to the Credit Facility Provider (if any) of its intent to exercise such remedies and provide the Credit Facility Provider (if any) with an opportunity to cure any failure of the County with respect to such fees, expenses and indemnification prior to exercising any such remedy.

SECTION 4.03. Institution of Legal Proceedings by Fiscal Agent. Subject to the provisions of Section 4.04, if an Event of Default shall occur and be continuing, the Fiscal Agent in its discretion may, and upon the written request of the Credit Facility Provider (if any) (if the Credit Facility is in effect and the Credit Facility Provider (if any) is not in default under its payment obligations under the Credit Facility) or the Holders of 66-2/3% in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds or under this Bond Certificate by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Fiscal Agent shall deem most effectual in support of any of its rights or duties hereunder.

SECTION 4.04. Credit Facility Provider's (If Any) and Bondholders' Direction of Proceedings. Anything in this Bond Certificate to the contrary notwithstanding, the Credit Facility Provider (if any) or the Holders of 66-2/3% in aggregate principal amount of the Bonds then Outstanding, but with the prior written consent of the Credit Facility Provider (if any), shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Fiscal Agent, to direct the method of conducting all remedial proceedings taken by the Fiscal Agent hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Bond Certificate, and that the Fiscal Agent shall have the right to decline to follow any such direction that in the opinion of the Fiscal Agent would be unjustly prejudicial to Bondholders not parties to such direction, and that in no event shall the Bondholders directly have the right to make drawings under the Liquidity Facility if, any or the Credit Facility, if any.

SECTION 4.05. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Certificate or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default; (2) the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Fiscal Agent reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Fiscal Agent shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Certificate or the rights of any other Holders of Bonds, or to enforce any right under this Bond Certificate or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Certificate.

SECTION 4.06. Absolute Obligation of County. Nothing in Section 4.05 or in any other provision of this Bond Certificate, or in the Bonds, contained shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 4.07. Termination of Proceedings. In case any proceedings taken by the Fiscal Agent, the Credit Facility Provider (if any) or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Fiscal Agent, the Credit Facility Provider (if any) or the Bondholders, then in every such case the County, the Liquidity Facility Provider (if any), the Fiscal Agent, the Credit Facility Provider (if any) and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the County, the Liquidity Facility Provider (if any), the Fiscal Agent, the Credit Facility Provider (if any) and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 4.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Fiscal Agent, the Liquidity Facility Provider (if any), the Credit Facility Provider (if any) or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 4.09. No Waiver of Default. No delay or omission of the Fiscal Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Bond Certificate to the Fiscal Agent, the Credit Facility Provider (if any), the Liquidity Facility Provider (if any) or the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

SECTION 4.10. Notice to Bondholders of Default. The Fiscal Agent shall promptly give written notice by first class mail to the Bondholders, the Liquidity Facility Provider (if any) and the Credit Facility Provider (if any) of the occurrence of an Event of Default, if the Fiscal Agent has actual knowledge of such Event of Default, and of the giving of any notice under Section 4.01(C) hereof.

ARTICLE V

MODIFICATION OR AMENDMENT OF THIS BOND CERTIFICATE

SECTION 5.01. Amendments Permitted.

(A) This Bond Certificate and the rights and obligations of the County and of the Holders of the Bonds and of the Fiscal Agent may be modified or amended from time to time by an amendment, supplement or other modification of this Bond Certificate, which the County and the Fiscal Agent may enter into with the written consent of the (i) the Credit Facility Provider (if any) (so long as the Credit Facility is in effect or any amounts are owing to the Credit Facility Provider (if any) and the Credit Facility Provider (if any) is not then in default under its payment obligations under the Credit Facility) or (ii) the Holders of a majority in aggregate principal amount of all Bonds then Outstanding (if the Credit Facility is no longer in effect or the Credit Facility Provider (if any) is then in default under its payment obligations under the Credit Facility), and the Liquidity Facility Provider (if any), shall have been filed with the Fiscal Agent. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, without the consent of the Holders of all of the Bonds then Outstanding, or (3) modify any of the rights or obligations of the Fiscal Agent or the Liquidity Facility Provider, if any, without its prior written consent thereto; nor shall the Fiscal Agent or the Liquidity Facility Provider, if any, be required to consent to any such amendment that adversely affects its rights or obligations hereunder or under the Liquidity Facility or the Remarketing Agreement. It shall not be necessary for the consent of the Bondholders to approve the particular form of any amendment or modification, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the County of any amendment or modification pursuant to this subsection (A), the Fiscal Agent shall mail a notice, setting forth in general terms the substance of such amendment or modification, to each Rating Agency then rating the Bonds, to the Liquidity Facility Provider (if any), to the Credit Facility Provider (if any) and to the Holders of the Bonds at the addresses shown on the bond registration books of the Fiscal Agent. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment or modification.

(B) This Bond Certificate and the rights and obligations of the County, of the Fiscal Agent and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an amendment, supplement or other modification of this Bond Certificate, which the County and the Fiscal Agent may enter into without the consent of any Bondholders (but with the consent of the Credit Facility Provider (if any) and only if not objected to by the Liquidity Facility Provider (if any) after it has been given written notice of such amendment or modification, if the Fiscal Agent determines that the provisions of such modification or amendment shall not materially adversely affect the interests of the Holders of the Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the County in this Bond Certificate contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the County;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Certificate, or in regard to matters or questions arising under this Bond Certificate, as the County may deem necessary or desirable and not inconsistent with this Bond Certificate;

(3) to modify, amend or supplement this Bond Certificate in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) to make the Bonds eligible for deposit with any securities depository;

(5) to obtain a rating on the Bonds;

(6) to conform to the terms and provisions of any Liquidity Facility or Credit Facility; or

(7) to make any modification or amendment to this Bond Certificate, even if consent of Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing of Bonds following the mandatory tender of the Bonds pursuant to Sections 3.07, 3.08, 3.09 or 3.10 hereof or (ii) with respect to Bonds in a Daily Mode or a Weekly Mode (except during any Non-Remarketing Period) only, if notice of such proposed modification or amendment is given to Holders (in the same manner as notices of redemption are given) at least 15 days before the effective date thereof and on or before such effective date, the Holders have the right to demand purchase of their Bonds pursuant to Section 3.06 hereof; provided, that, on or prior to the effective date of such modification or amendment, the Fiscal Agent shall obtain a Favorable Opinion of Bond Counsel.

The Fiscal Agent shall give notice of any such modification or amendment to each Rating Agency then rating the Bonds provided the Fiscal Agent shall incur no liability for failure to do so.

(C) All notices regarding amendments to this Bond Certificate should be delivered to the Auction Agent, the Broker-Dealer and the Remarketing Agent at the time and in the same manner as such notices are delivered to the registered owners of the Bonds. No amendment should become effective with respect to the Auction Agent, the Broker-Dealer or the Remarketing Agent without the consent of such party if it adversely affects the rights, duties, privileges, immunities and liabilities of such party.

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EXHIBIT A

AUCTION PROCEDURES

EXHIBIT A

TO

BOND CERTIFICATE

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Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between the Bond Certificate, Article I or Article II of this Exhibit A and Schedule I, Schedule I shall prevail. Any reference herein to "Series" such as "a Series of Bonds" or "Bonds of a Series" shall not apply if there is only one Series of Bonds.

ARTICLE I

Definitions

The following words and terms as used in this Exhibit A (hereinafter "this Exhibit") and elsewhere in the Bond Certificate have the following meanings with respect to Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

"**Agent Member**" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"**All Hold Rate**" has the meaning set forth in Schedule I.

"**ARS Conversion Date**" means with respect to Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

"**ARS Rate Period**" means, for each Series of Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

"**Auction**" means each periodic implementation of the Auction Procedures.

"**Auction Agent**" means the Person appointed as Auction Agent in accordance with the Auction Agreement.

"**Auction Agreement**" means an agreement between the Auction Agent and the Fiscal Agent pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

"**Auction Date**" means with respect to any Series of Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

"Auction Desk" means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

"**Auction Period**" means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

"**Auction Period Rate**" means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

"**Auction Procedures**" means the procedures for conducting Auctions for Bonds during an ARS Rate Period set forth in this Exhibit.

"**Auction Rate**" means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series of Bonds.

"**Authorized Denomination**" means $25,000, or such other amount specified in Schedule I, and integral multiples thereof so long as the Bonds bear interest at the Auction Period Rate, notwithstanding anything else in the Authorizing Document to the contrary.

"Authorizing Document" has the meaning set forth in Schedule I.

"**Available Bonds**" means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

"**Bid**" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"**Bidder**" means each Existing Owner and Potential Owner who places an Order.

"Bonds" has the meaning set forth in Schedule I.

"**Broker-Dealer**" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the County and that is a party to a Broker-Dealer Agreement with the Auction Agent and the County. The "Broker-Dealer of record" with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent. The Broker-Dealer(s) shall initially be the party(ies) named in Schedule I.

"**Broker-Dealer Agreement**" means an agreement among the Auction Agent, the County and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit, as such agreement may from to time be amended or supplemented.

"**Broker-Dealer Deadline**" means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

"**Business Day**" in addition to any other definition of "Business Day" included in the Authorizing Document, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

"**Clerical Error**" means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"**Conversion Date**" means the date on which any Series of the Bonds begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

"**County**" means the County of Nassau, New York.

"**Electronic Means**" means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"**Error Correction Deadline**" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"**Existing Owner**" means a Person who is the beneficial owner of Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"**Flexible Auction Period**" means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

"**Hold Order**" means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

"**Index**" has the meaning set forth in Schedule I.

"Initial Period" has the meaning set forth in Schedule I.

"**Initial Period Rate**" has the meaning set forth in Schedule I.

"**Interest Payment Date**" with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Authorizing Document to the contrary, the first Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

"**Maximum Rate**" has the meaning set forth in Schedule I.

"**Order**" means a Hold Order, Bid or Sell Order.

"Person" has the meaning set forth in Schedule I.

"**Potential Owner**" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

"**Record Date**" means, notwithstanding anything else in the Authorizing Document, while the Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an Interest Payment Date.

"Schedule I" means Schedule I to this Exhibit.

"**Securities Depository**" means, notwithstanding anything else in the Authorizing Document to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the County.

"**Sell Order**" has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

"**Submission Deadline**" means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Fiscal Agent or the County pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the "SIFMA Recommendation") unless the Auction Agent is instructed otherwise in writing by the Fiscal Agent or the County. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

"**Submitted Bid**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Submitted Hold Order**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Submitted Order**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Submitted Sell Order**" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

"**Sufficient Clearing Bids**" means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

"Units" has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

"**Winning Bid Rate**" means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

ARTICLE II

Auction Procedures

2.01 Orders by Existing Owners and Potential Owners. (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer;

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

2.02 Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the County, the Fiscal Agent, the Credit Facility Provider or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

2.03 Treatment of Orders by the Auction Agent. Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such

Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Fiscal Agent or the County that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Fiscal Agent or the County has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

(h) Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Owner and (ii) not be accepted if submitted by a Potential Owner.

2.04 Determination of Auction Period Rate. (a) If requested by the Fiscal Agent or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Fiscal Agent, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Fiscal Agent, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Fiscal Agent, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction

Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

2.05 Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such

Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

2.06 Notice of Auction Period Rate. (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids;

(vi) the amount of dividend or interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the County, the Credit Facility Provider and Fiscal Agent by mutually acceptable Electronic Means and the Fiscal Agent shall promptly give notice of such Auction Rate to the Securities Depository.

2.07 Index.

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the County, the Fiscal Agent, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

2.08 Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each Series of Bonds, the provisions of the Authorizing Document and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Authorizing Document by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Fiscal Agent mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Authorizing Document, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the County and the Fiscal Agent an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the County that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities

Depository is not appointed by the County within 90 days after the County receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the County shall execute and the Fiscal Agent shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the County and the Fiscal Agent.

During an ARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) Unless specifically provided otherwise in Schedule I, the Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of an Event of Default under the Authorizing Document.

2.09 Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the County may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The County shall initiate the change in the length of the Auction Period by giving written notice to the Fiscal Agent, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of the County, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the County's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Fiscal Agent, the County and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the Broker-Dealer for a majority of the outstanding Units (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2(a) of the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.

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SCHEDULE I

TO

AUCTION PROCEDURES

In the event of any conflict between this Schedule I and Exhibit A, this Schedule I shall prevail.

Definitions

"**All Hold Rate**" means, as of any Auction Date, 55% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 90% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

"**Auction Period**" shall include in the *Six-month Auction Period* either November 30 or May 31.

"**Authorized Denomination**" means $25,000 unless another amount is specified here. The minimum denominations and the multiple must be the same unless the bonds are issued as refunding bonds in which case there may be a single odd denomination.

"**Authorizing Document**" means the Bond Certificate.

"**Bonds**" means the Series A and Series B Bonds.

"**Index**" means the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by Fiscal Agent and the County and the Broker-Dealers. If such rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the County.

"**Initial Period**" Following an ARS Conversion Date, the Initial Period shall mean the period specified as the "Initial Period" in the notice of conversion to an ARS Rate Period.

"**Initial Period Rate**" means for an Initial Period commencing on an ARS Conversion Date the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such determination shall be conclusive and binding upon the County, the Fiscal Agent, the Auction Agent and the Bondholders. Not later than 5:00 p.m., New York City time, on the date of determination of the Initial Period Rate, the Broker-Dealer shall notify the Fiscal Agent, the County and the Auction Agent of the Initial Period Rate by Electronic Means.

"**Maximum Rate**" means twelve per centum (12%) per annum.

"**Person**" has the meaning given to such term in the Bond Certificate.

Auction Procedures

Determination of Auction Period Rate. The percentage of the Index in Section 2.04(c) is 55% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 90% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

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The bonds shall mature in principal amounts which, together with interest thereon, provide for substantially level or declining annual debt service on such bonds, as defined and described in paragraph d of Section 21.00 of the Local Finance Law.

The total outstanding principal amount of bonds and notes of the County issued pursuant to Section 54.90 of the Local Finance Law, including the principal amount of the Bonds, does not exceed ten percent of the County debt limit.

The issuance of the Bonds as variable rate obligations is reasonably expected to reduce the cost of borrowing to the County because short-term municipal interest rates are lower than long-term municipal rates. Variable rate obligations will also allow the County to keep the call feature on the Bonds as flexible as possible. A competitive sale of the Bonds is not feasible or in the best interests of the County due to the complexity of the remarketing program. Merrill Lynch & Co. was selected as the Underwriter and Remarketing Agent for the Bonds through a request for proposal process conducted by the County.

The bonds shall be numbered with the prefix "R" and from 1 upward.

I DO HEREBY APPROVE the attached as the form of the bonds relating thereto.

I FURTHER CERTIFY that the power delegated to me pursuant to the aforesaid bond ordinances has not been amended, modified or repealed, and that the same is in full force and effect.

IN WITNESS WHEREOF, I have hereunto officially set my hand this 13th day of December, 2007.

County Treasurer

* * * * *

An executed counterpart of the foregoing certificate and bond form attached thereto were filed with the County Legislature of said County this 13th day of December, 2007.

Clerk, County Legislature

(SEAL)

No. R___ $_______

UNITED STATES OF AMERICA

STATE OF NEW YORK

COUNTY OF NASSAU

MULTI-MODAL GENERAL OBLIGATION BOND, 2007 SERIES ____

Interest Rate: Variable

Date of Original Issuance: December 13, 2007

Maturity Date: December CUSIP: ___________

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

The County of Nassau, a municipality of the State of New York, hereby acknowledges itself indebted and for value received, promises to pay to the registered owner, on the maturity date set forth above, the principal amount hereof upon presentation and surrender of this bond at the principal corporate trust office of The Bank of New York, New York, the fiscal agent, or such other fiscal agent as may hereafter be designated by the County (the "Fiscal Agent"), and to pay interest on such principal amount at the Interest Rate determined as set forth in the Bond Determinations Certificate of the County Treasurer (as hereinafter referenced) payable on such dates as set forth therein. Payments shall be made to The Depository Trust Company, New York, New York, or to its nominee, Cede & Co., while this bond is registered in the name of Cede & Co. in accordance with the Book-Entry-Only system hereinafter described and, at any other time, to the person in whose name this bond is registered at the close of business on the Record Date, being the last business day of the calendar month prior to each interest payment date (the "Registered Owner") at the Registered Owner's address as the same appears on the registration books of the County maintained by the Fiscal Agent (the "Registration Books"). Both principal of and interest on this bond will be paid in lawful money of the United States of America.

The County and the Fiscal Agent may deem and treat The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes. All such payments made to The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or the Registered Owner shall satisfy and discharge the liability of the County upon this bond to the extent of the sum or sums so paid, and neither the County nor the Fiscal Agent shall be affected by any notice to the contrary.

This bond may not be converted into bearer coupon form or registered to bearer.

This bond is one of an authorized issue, the aggregate principal amount of which is $75,000,000, the bonds of which are of like date and tenor, except as to number, denomination, rate of interest, date of maturity, and provisions relating to redemption prior to maturity, and are issued for various County purposes in and for said County, and pursuant to a bond determinations certificate of the County Treasurer entitled:

> "BOND DETERMINATIONS CERTIFICATE DATED DECEMBER 13, 2007 OF THE COUNTY TREASURER OF THE COUNTY OF NASSAU, NEW YORK, PROVIDING FOR THE DETAILS, FORM AND RELATED MATTERS OF $75,000,000 MULTI-MODAL GENERAL OBLIGATION BONDS, 2007, OF SAID COUNTY.",

and pursuant to other proceedings of the County Legislature of such County duly had and taken in all respects authorizing the same.

Ownership interests in the bonds and transfers thereof are recorded as part of the Book-Entry-Only system of The Depository Trust Company, New York, New York ("DTC") on records maintained by DTC for such purpose. The County has no responsibilities with respect to such Book-Entry-Only system of transfer and purchasers of such interests have no right to receive from the County certificates representing such ownership interests; provided, however, that if DTC discontinues providing such service with respect to the bonds, or if the County terminates its participation in such system of Book-Entry-Only transfers, bonds in certificated form in denominations of $5,000 or multiples thereof, not exceeding the principal amount of all outstanding bonds will be provided by the County.

The Bonds are subject to redemption prior to maturity, as provided in the Bond Certificate.

Certificated bonds may be transferred or exchanged at the Office of the Fiscal Agent for a like aggregate principal amount of bonds of the same maturity.

The faith and credit of such County of Nassau, New York, are hereby irrevocably pledged for the punctual payment of the principal of and interest on this bond according to its terms.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed; and that the issue of bonds, of which this is one, together with all other indebtedness of such County is within every debt and other limit prescribed by the Constitution and laws of the State of New York.

IN WITNESS WHEREOF, the County of Nassau, New York, has caused this bond to be executed in its name by the manual signature of the County Treasurer, and its corporate seal or a facsimile thereof to be affixed, imprinted or otherwise reproduced hereon, and this bond to be dated as of the 13th day of December, 2007.

(SEAL) COUNTY OF NASSAU, NEW YORK

____

County Treasurer

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co., or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

____

(Please Print or Type Name and Address of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

____

____

____

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

____ attorney

to transfer the within bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:

Signature acknowledged or proved, or in the alternative, certified as to its genuineness by an officer of a bank or trust company located and authorized to do business in the State of New York

____

(Acknowledgment, Proof or Certification)

____

(Signature of Assignor)

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within bond in every particular without alteration or enlargement or any change whatsoever.

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(a) The Mode Change Date to a Fixed Rate Mode shall be: (i) in the case of a conversion from a Daily Mode or a Weekly Mode a regularly scheduled Interest Payment Date on which interest is payable for the Daily Mode or Weekly Mode from which the conversion is to be made; (ii) in the case of a conversion from a Term Rate Period, a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced; (iii) in the case of a conversion from a Commercial Paper Mode, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the Bonds to be converted; and (iv) in the case of a conversion from an ARS Rate Period, the Interest Payment Date following the final Auction Period ... 25

(b)	Not less than seven (7) Business Days prior to the date on which the Fiscal Agent is required to notify the registered owners of the conversion pursuant to subparagraph (c) below, the County shall give written notice of the conversion to the Fiscal Agent, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Auction Agent, if any, the Tender Agent and the Broker-Dealer, if any, setting forth the proposed Mode Change Date	25
(c)	In the event of a conversion from a Daily Mode, Weekly Mode, a Term Rate Mode or a Commercial Paper Mode, the Fiscal Agent shall mail a notice of the proposed conversion to the registered owners of all Bonds to be converted not less than thirty (30) days prior to the proposed Mode Change Date	26
(d)	Not later than 12:00 noon, New York City time, on the Business Day prior to the Mode Change Date, the Remarketing Agent shall determine the Fixed Rate Mode for the Bonds to be converted	26
(e)	Such determination shall be conclusive and binding upon the County, the Fiscal Agent, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Broker-Dealer, if any, the Auction Agent, if any, the Tender Agent and the Beneficial Owners of the Bonds to which such rate shall be applicable	26
(f)	The County may revoke its election to effect a conversion of the interest rate on the Bonds to the Fixed Rate Mode by giving written notice of such revocation to the Fiscal Agent, the Remarketing Agent, if any, the Liquidity Facility Provider, if any, the Credit Facility Provider, if any, the Auction Agent, if any, the Tender Agent and the Broker-Dealer, if any, at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date and if the Bonds bear interest at an Auction Period Rate an Auction for such Bonds shall be held on such date as if no notice of conversion had ever been given	26

(g) Prior to the conversion of any of the Bonds to a Fixed Rate Mode pursuant to this Section 2.13(B), the Remarketing Agent shall deliver to the County and the Fiscal Agent a certificate which includes a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate Mode which shall mature on December 1 of the years specified in such schedule and the interest rate payable on the Bonds to be converted to a Fixed Rate Mode of each such maturity date and a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate Mode maturing on December 1 of the years specified in such schedule or to be called for mandatory redemption pursuant to the amortization requirements on December 1 of the Bond Years specified in such schedule.......... 27

(i) The Remarketing Agent shall determine the schedule of principal payments on the Bonds to be converted to a Fixed Rate Mode to achieve annual level debt service with respect to the converted Bonds 27

(ii) The Remarketing Agent shall allocate the Bonds to be converted to a Fixed Rate Mode between serial bonds and term bonds in such manner as shall produce the lowest aggregate interest payable with respect to such Bonds; and 27

(iii) The Remarketing Agent shall set the interest rate on each Bond to be converted to a Fixed Rate Mode of a particular maturity date at the lowest interest rate that shall enable such Bond, upon conversion, to be remarketed at par (plus any accrued interest) taking into account the maturity date of such Bond and amortization requirements with respect to the Bonds of such maturity date 27

(h) Mandatory redemption of the Bonds converted to the Fixed Rate Mode by operation of the Sinking Fund Account shall be without premium 27

(i) If on the proposed Mode Change Date any condition precedent to such conversion is not satisfied and the Bonds bear interest at the Auction Period Rate, the Fiscal Agent shall give notice by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the registered owners of the Bonds, the County, the Broker-Dealer and the Credit Facility Provider, if any, that such conversion has not occurred, that the Bonds shall not be purchased on the failed Mode Change Date, that the Auction Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to the Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Mode Change Date, and that the interest rate shall continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Bonds during the Auction Period commencing on such failed Mode Change Date shall be the Maximum Interest Rate, and the Auction Period shall be the seven-day Auction Period 28

(j) If the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and (a) if the change was from a Commercial Paper Mode, the Bonds of such series shall remain in the Commercial Paper Mode with interest rates with respect thereto and Interest Periods to be established in accordance with Section 2.05; and (b) otherwise, all Bonds of such series (except Bonds bearing interest at the Auction Period Rate which are addressed in (i) above) shall be changed to a Daily Mode 28

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APPENDIX J

SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions of the Letter of Credit and Reimbursement Agreement, dated as of December 13, 2007 (the "Agreement"), by and between the County of Nassau, New York and Bank of America, N.A. This summary is not to be considered a full description of the Agreement or the Letters of Credit issued pursuant thereto, and reference is made to the Agreement and the Letters of Credit for full recital of the provisions thereof. Various words or terms used in the following summary are defined in this Official Statement, the Agreement and the Letters of Credit, and reference thereto is made for full understanding of their import.

General

Subject to the conditions precedent set forth in the Agreement, the Bank agrees to issue two separate Letters of Credit, each dated the date of the initial delivery of the related series of Bonds, one Letter of Credit relating to the Series A Bonds and other Letter of Credit relating to the Series B Bonds, each in substantially the form attached to the Agreement, with such changes to such form as the County and the Bank shall agree are necessary or advisable. The Letters of Credit shall each specify a Stated Amount. In the case of the Letter of Credit supporting the Series A Bonds, the Stated Amount will initially equal $35,000,000, which amount represents the aggregate principal amount of the Series A Bonds and the maximum amount of interest that could accrue and become payable on the Series A Bonds on any interest payment date or purchase date therefor, said interest being calculated for 45 days at an assumed rate equal to 12.00 % per annum, subject to reduction and reinstatement as provided therein. In the case of the Letter of Credit supporting the Series B Bonds, the Stated Amount will initially equal $40,000,000, which amount represents the aggregate principal amount of the Series B Bonds and the maximum amount of interest that could accrue and become payable on the Series B Bonds on any interest payment date or purchase date therefor, said interest being calculated for 45 days at an assumed rate equal to 12.00 % per annum, subject to reduction and reinstatement as provided therein.

The Letter of Credit supporting the Series A Bonds is available solely to pay principal on, interest and purchase price due with respect to the Series A Bonds and is not available to pay the principal on, interest and purchase price due with respect to the Series B Bonds. The Letter of Credit supporting the Series B Bonds is available solely to pay principal on, interest and purchase price due with respect to the Series B Bonds and is not available to pay the principal on, interest and purchase price due with respect to the Series A Bonds.

Each Letter of Credit shall expire automatically at 5:00 p.m. (New York City time) on the earliest of: (a) December 13, 2010 provided that, if the Bank provides the Fiscal Agent with a written notice that such Letter of Credit shall be extended, the term of such Letter of Credit shall be extended to the date provided in such notice; (b) the Bank's receipt from the Fiscal Agent of a certificate, appropriately completed, terminating such Letter of Credit as a result of a defeasance of the related Bonds, conversion of the interest rate on the related Bonds to a rate not provided by the Letter of Credit or the delivery of a substitute letter of credit; and (c) ten (10) days after the Fiscal Agent has received notice from the Bank stating that an Event of Default has been declared under the Agreement, stating that such Letter of Credit will be terminated and demanding that the Fiscal Agent cause the related Bonds to be declared immediately due and payable or subject to mandatory purchase pursuant to the Bond Determination Certificate and the Agreement. In the event any date of expiration or termination described in the immediately preceding sentence shall not be a Business Day, then such Letter of Credit shall expire on the next succeeding Business Day.

If the County submits to the Bank a written request for an extension of the expiration date of a Letter of Credit for a period as specified in such written request (but not to exceed three (3) years), the Bank will make reasonable efforts to respond to such request ninety (90) days prior to the expiration date. In the event the Bank fails to definitively respond to such request prior to such time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing. If such an extension request is accepted by the Bank in its absolute discretion, the then current expiration date for such Letter of Credit shall be extended to the date agreed by the County and the Bank.

Events of Default

The Agreement provides that each of the following events will constitute an "Event of Default" thereunder:

(a) the County shall fail to pay when due (i) any amount due under the Agreement in respect of the reimbursement of drawings under a Letter of Credit or due under the Bonds (including any Bank Bonds) or (ii) any other amount due under the Agreement or the Bank Note (other than those described in sub-clause (a)(i)) and such amount remains unpaid for five (5) Business Days after the County receives written notice of such failure from the Bank;

(b) the County shall fail to observe or perform any of the covenants, conditions or provisions of the Agreement (other than as specified in (a) above) which failure continues for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied shall have been given to the County by the Bank; *provided* that if such failure cannot be remedied within such 30-day period, the County shall not be in default under the Agreement if the County is diligently pursuing a remedy and such failure is remedied within sixty (60) days after receipt of such notice;

(c) any representation, warranty, certification or statement of the County in the Agreement or any Related Document or in any certificate or other document delivered pursuant to the Agreement or any Related Document shall prove to have been incorrect in any material respect when made;

(d) the County shall fail to pay when due any amount payable on any Parity Debt in an aggregate principal amount in excess of $10,000,000, as and when the same shall become due; or the maturity of any Parity Debt in a principal amount in excess of $10,000,000 shall be accelerated;

(e) an "event of default" shall have occurred and be continuing under, and as defined in, the Bond Determination Certificate;

(f) (i) any amendment to the Constitution of the State or any amendment to the Act, the Ordinance or any other statute is enacted which materially adversely affects the enforceability of the Agreement against the County, or (ii) the County or any governmental authority with proper jurisdiction over the County takes or permits to be taken any action which materially adversely affects the ability or the obligation of the County to repay its reimbursement obligations under the Agreement or under the Bank Note or the Bonds (including the Bank Bonds) or limits or restricts the sources to which the Bank may look for the payment of such reimbursement obligations, the Bank Note or the Bonds (including the Bank Bonds);

(g) any event or circumstance occurs which materially and adversely affects the ability of the County to perform its ability to perform or its obligation to perform under, and in strict accordance with the terms of, the Agreement, the Bank Note, the Bonds (including the Bank Bonds) or the Bond Determination Certificate;

(h) any of Fitch, Moody's or S&P shall have (i) assigned to any unenhanced, long-term Parity Debt a rating below "BBB", in the case of Fitch or S&P, or "Baa2", in the case of Moody's, (ii) withdrawn its ratings of any unenhanced, long-term Parity Debt, other than as a result of debt maturity, redemption, defeasance, nonapplication or nonprovision of information, or (iii) suspended their ratings of any unenhanced, long-term Parity Debt, other than as a result of debt maturity, redemption, defeasance, nonapplication or nonprovision of information;

(i) one or more judgments, decrees or orders for the payment of money, which is not subject to insurance (or for which the carrier has denied or disputed coverage other than a routine reservation of rights), in excess of the total amount contained in the then current budget of the County available for payment of judgments and losses in the aggregate in any fiscal year shall be rendered against the County and either (i) enforcement proceedings shall have been commenced by any creditor or creditors upon any such judgments, decrees or orders in such aggregate amount, or (ii) there shall be a period of sixty (60) consecutive days during which either a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect or such judgment shall not be fully bonded against;

(j) any payment or other material provision of the Agreement, the Bond Determination Certificate, the Bonds, the Bank Note or any of the other Related Documents shall cease to be valid and binding on the County, or the County publicly repudiates or denies that it has any or further liability or obligation under the Agreement, the Bond Determination Certificate, the Bonds, the Bank Note or any of the other Related Documents, as the case may be, or a proceeding is commenced by the County or any governmental authority with proper jurisdiction over the County seeking to establish the invalidity or unenforceability of any of the foregoing;

(k) the County shall admit in writing its inability to pay its debts as they mature or the County or a governmental authority with proper jurisdiction over the County shall declare a moratorium or comparable restriction on the payment of the County's debts or the County shall apply for, consent to or acquiesce in the appointment of a trustee or receiver for itself or any part of its property or revenues, or the County or any governmental authority with proper jurisdiction over the County shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee or receiver shall be appointed for it or for a substantial part of its property or revenues and shall not be discharged within a period of sixty (60) days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the County (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and, if instituted against it, shall be consented to or acquiesced in by the County, or shall not be dismissed within a period of sixty (60) days; or

(l) there shall be commenced against the County any case, proceeding or action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of the assets of the County, which results in the entry of an order for relief which shall not have been vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the entry thereof.

Remedies

Upon the occurrence and continuation of an Event of Default, the Bank, in its sole discretion (a) may deliver a notice to the County for purposes of increasing the interest rate payable on the Bank Bonds and all reimbursement obligations of the County under the Agreement to the "Default Rate", (b) may deliver a notice to the Remarketing Agent instructing it not to remarket any Bonds pursuant to the provisions of the Agreement, (c) may deliver to the Fiscal Agent written notice that an Event of Default has been declared under the Agreement, which notice may also include (y) a demand that the related series of Bonds be accelerated (provided that acceleration is available to the Bank as a remedy only if the Event of Default under the Agreement reflects the occurrence and continuation of an "event of default" under, and as defined in, the Bond Determination Certificate and specified in the Agreement) or (z) a demand that the Bonds be subject to mandatory purchase (provided that a mandatory purchase of the related series of Bonds will only be available as a remedy under the Agreement if the Event of Default under the Agreement consists of the County's failure to reimburse the Bank for an interest only drawing under the related Letter of Credit), (d) may cure any Default, Event of Default or event of nonperformance under the Agreement or under any of the Related Documents (in which event, the County shall reimburse the Bank therefor pursuant to the provisions of the Agreement) or (e) may exercise any other rights or remedies available under the Agreement or under any Related Document, subject to the terms and conditions of such Related Document, any other agreement or at law or in equity. If the Event of Default is the failure by the County to reimburse the Bank, on a timely basis, for an interest only drawing under a Letter of Credit, the Bank may, no later than the tenth (10^{th}) day following such drawing, take the action referred to in clause (c) of this paragraph, with the written notice delivered to the Fiscal Agent to include the statement that such Letter of Credit will not be reinstated. The Bank shall deliver to the County a copy of any notice delivered to the Fiscal Agent pursuant to clause (b) or (c) above; *provided*, that the failure of the Bank to do so shall not affect the remedy referred to in clause (b) or (c) above. The rights and remedies of the Bank specified in the Agreement are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to, the County, the Fiscal Agent, the Tender Agent, the Remarketing Agent, the Bondholders or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank under the Agreement, or (ii) to cause the Fiscal Agent or any other party to exercise

APPENDIX K

INFORMATION ABOUT THE LETTER OF CREDIT PROVIDER

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INFORMATION ABOUT THE LETTERS OF CREDIT PROVIDER

Bank of America, N.A. (the "*Bank*") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "*Corporation*") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2007, the Bank had consolidated assets of $1.29 trillion, consolidated deposits of $772 billion and stockholder's equity of $109 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, together with any subsequent documents it filed with the Securities and Exchange Commission (the "*SEC*") pursuant to the Securities Exchange Act of 1934, as amended (the "*Exchange Act*").

Recent Developments:

On October 1, 2007, the Corporation acquired all the outstanding shares of ABN Amro North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for $21.0 billion in cash. With this acquisition, the Corporation significantly expanded its metropolitan Chicago and Michigan presence by adding LaSalle's commercial banking clients, retail customers, and banking centers. LaSalle's results of operations will be included in the Corporation's results beginning October 1, 2007.

Additional information regarding the foregoing is available from the filings made by the Corporation with the SEC, which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation, the Bank and the foregoing mergers contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letters of Credit have been issued by the Bank. Moody's Investors Service, Inc. ("*Moody's*") currently rates the Bank's long-term debt as "Aaa" and short-term debt as "P-1." The outlook is stable. Standard & Poor's rates the Bank's long-term debt as "AA+" and its short-term debt as "A-1+." The outlook is stable. Fitch Ratings, Inc. ("*Fitch*") rates long-term debt of the Bank as "AA" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the Bank's instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the Commission pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications

100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communications

The Bank's most recent Call Reports may be downloaded from the Federal Financial Institutions Examination Council Central Data Repository Public Data Distribution website at https://cdr.ffiec.gov/public.

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTERS OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTERS OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTERS OF CREDIT ARE BINDING OBLIGATIONS OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date hereof, or that the information contained or referred to in this Appendix K is correct as of any time subsequent to its date.