

NOTICE OF SALE

CITY SCHOOL DISTRICT OF THE CITY OF ALBANY
ALBANY COUNTY, NEW YORK

\$4,000,000 Revenue Anticipation Notes, 2011

Telephone (315-752-0051, **Ext. 1**), telefax (315-752-0057) or written proposals will be received and considered by the undersigned President of the Board of Education of the City School District of the City of Albany, Albany County, New York, (the "School District") at the offices of Fiscal Advisors & Marketing, Inc., 120 Walton Street • Suite 600, Syracuse, New York 13202, until **11:00 o'clock A.M., Prevailing Time, on the 18th day of August, 2011** for the purchase in Federal Funds, at not less than par and accrued interest, of \$4,000,000 Revenue Anticipation Notes of the District (the "Notes") to be dated August 30, 2011 and maturing September 30, 2011, with interest payable at maturity. **The Notes are to be issued without option of prior redemption, in whole or in part, prior to their maturity.**

The Notes will be valid and legally binding general obligations of the School District, all the taxable real property within which will be subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount subject to the provisions of Chapter 97 of the Laws of 2011 ("Chapter 97"). For a discussion of Chapter 97, see "New Tax Cap Law" below. The School District will pledge its faith and credit for the payment of the principal of the Notes and interest thereon. Principal and interest on the Notes are payable at maturity in lawful money of the United States of America (Federal Funds).

The Notes are being issued in anticipation of the receipt of State aid for the fiscal year ending June 30, 2012 and pursuant to a cumulative cash flow statement attached hereto as APPENDIX - A.

Principal and interest on the Notes are payable at maturity in lawful money of the United States of America (Federal Funds). The purchaser(s) shall have the right to designate a bank or banks located and authorized to do business in the State of New York as the place or places for the payment of the principal and interest on the Notes. Paying agent fees, if any, are to be paid by the purchaser(s). The Notes will be issued in registered form in the denomination of \$100,000 each or multiples thereof. The purchaser, by purchasing the Notes, agrees either that (i) its purchase of the Notes is for its own account and not with a view to distributing the Notes or (ii) the Notes are, or will be, sold to no more than thirty-five (35) persons each of whom the purchaser believes has such knowledge and experience in business and financial matters that it is capable of evaluating the merits and risks of the prospective investment, and it is not purchasing for more than one account or with a view to distribute the Notes.

The Notes will not be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

Each purchaser shall have the option of having the Notes, which will be in registered form, issued in the name of the purchaser(s), or, at the option of the purchaser, in the name of Cede & Co., as nominee for The Depository Trust Company (DTC). The purchaser must notify Bond Counsel by 4:00 P.M., Prevailing Time, on the date of the sale whether the Notes will be issued in non-book-entry form or book-entry form.

The School District will act as Paying Agent for the Notes. The School District contact information is as follows: Ms. Tishawn Terry-Garcia, District Treasurer, City School District of the City of Albany, Administration Bldg., Academy Park, Albany, New York 12207, phone: 518-475-6030, fax: 518-475-6024, email address: tgarcia@albany.k12.ny.us.

Each bid may be for all or any part of the Notes and must state a single rate of interest therefor in a multiple of 1/100 or 1/8 of one per centum per annum. Interest will be calculated on the basis of a 360-day year and a 30-day month. Any bidder may submit two separate bids at different rates of interest. Each bid must be for not less than the par value of the Notes bid for. All or none bids will be rejected.

The Notes will be awarded to the bidder or bidders offering the lowest net interest cost, that being the rate of interest which will produce the least interest cost over the life of the Notes, after accounting for the premium offered, if any. In the event bids offering the same lowest net interest cost are received, the first/full award will be made to the bidder offering to purchase the greater principal amount of Notes. If two or more bids offering to purchase the same principal amount of Notes at the same lowest net interest rate are received, an award will be made by lot from among such lowest bids. The right is reserved by the School District to award to any bidder all or any part of the Notes which such bidder offers to purchase and, in such event, the premium, if any, specified by such bidder will be pro-rated. In any event, the award of the Notes will be made on the basis of the bid or combination of bids offering to purchase the Notes on terms most favorable to the School District. The right is reserved by the School District to reject any and all bids, and any bid not complying in all material respects with this Notice of Sale will be rejected.

The Notes will be delivered in New York City or as may otherwise be agreed with the purchaser(s) on or about August 30, 2011. The purchase price of the Notes, in accordance with each purchaser's bid, shall be paid in Federal Funds or other funds available for immediate credit on the delivery date.

If the purchaser(s) notifies Bond Counsel by 4:00 o'clock P.M., Prevailing Time on the date of sale, such purchaser's Notes may be issued in the form of book-entry notes, in denominations corresponding to the aggregate principal amount for each Note bearing the same rate of interest and CUSIP number. In the event that the Purchaser(s) choose such DTC registered notes, as a condition to delivery of the Notes, the successful bidder(s) will be required to cause such note certificates to be (i) registered in the name of Cede & Co., as nominee of DTC, New York, New York ("DTC"), and (ii) deposited with DTC to be held in trust until maturity. DTC is an automated depository for securities and clearinghouse for securities transactions, and will be responsible for establishing and maintaining a book-entry system for recording the ownership interests of its participants, which include certain banks, trust companies and securities dealers, and the transfers of the interests among its participants. The DTC participants will be responsible for establishing and maintaining records with respect to the Notes. Individual purchases of beneficial ownership interests in the Notes may only be made through book entries (without certificates issued by the School District) made on the books and records of DTC (or a successor depository) and its participants, in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof. Principal of and interest on the Notes will be payable by the School District or its agent by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The School District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

CUSIP identification numbers will be printed on the Notes if the purchaser(s) provides Bond Counsel with such numbers by telefax or any other mode of written communication (verbal advice will not be accepted) by 5:00 o'clock P.M. on the day following the date of sale of the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the School District, provided, however, that the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the purchaser(s).

As a condition to the purchaser's obligation to accept delivery of and pay for the Notes, such purchaser will be furnished, without cost, the following, dated as of the date of the delivery of and payment for the Notes: (i) a Closing Certificate, constituting a receipt for the Note proceeds and a signature certificate, which will include a statement that no litigation is pending, or to the knowledge of the signers, threatened affecting the Notes, (ii) an arbitrage certificate executed on behalf of the School District which will include, among other things, covenants, relating to compliance with the Internal Revenue Code of 1986, as amended (the "Code"), with the owners of the Notes that the School District will, among other things, (A) take all actions on its part necessary to cause interest on the Notes to be excluded from the gross income of the owners thereof for federal income tax purposes, including without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Notes and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (B) refrain from taking any action which would cause interest on the Notes to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Notes and investment earnings thereon on certain specified purposes and (iii) the legal opinion as to the validity of the Notes of Hiscock & Barclay, LLP, Bond Counsel, of Albany, New York.

The successful bidder(s) will be required to represent to the School District that such bidder(s) is acquiring the Notes for investment, and not with the intent to resell the Notes.

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, State aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes.

There is no offering document which accompanies this Notice of Sale.

New Tax Cap Law

On June 24, 2011, Governor Andrew Cuomo signed Chapter 97 into law. Chapter 97 limits the amount that a school district (other than the “Big 5” city school districts: Buffalo, New York City, Rochester, Syracuse and Yonkers) may increase its real property tax levy to the lesser of the rate of inflation or 2% (the “Tax Cap”). Chapter 97 allows a school district to exceed the Tax Cap only with at least 60% voter approval. Any separate proposition that would cause a school district’s tax levy limit to be exceeded also must receive at least 60% voter approval. School districts subject to the Tax Cap are required to calculate the tax levy limit and submit the information to the Commissioner of Education, State Comptroller, and Commissioner of Taxation and Finance no later than March 1st of each year.

In addition, Chapter 97:

- After a school district budget is rejected, allows a school district to resubmit the budget for another vote or adopt a zero tax levy growth budget. School districts would be required to adopt a zero tax levy growth budget if the proposal were twice rejected by voters.
- Includes a carryover provision of up to 1.5% from one year to the next of any amount in which the previous year's levy was below that year's Tax Cap.
- Includes a tax base growth factor calculated by the Commissioner of Taxation and Finance to account for any increase in the full value of taxable real property.
- Exempts pension payments over 2% from the previous year, court orders and judgments that exceed 5% of the total levy from the previous year and voter approved capital expenditures. Voter approved capital expenditures include the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of, or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law. Voter approved capital expenditures do not include debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficit notes.
- Requires that excess funds that are collected due to clerical or technical errors be held in reserve as determined by the Office of the State Comptroller. Those funds (including interest earned) are required to be used to offset the tax levy for the following fiscal year.
- Unless extended, sunsets on June 15, 2016.

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the Flushing National Bank case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

It is likely that the Chapter 97 will be subject to judicial review to resolve the constitutional issues raised by its adoption.

Dated: August 9, 2011

DANIEL EGAN
President of the Board of Education

PROPOSAL FOR NOTES

Mr. Daniel Egan
President of the Board of Education
City School District of the City of Albany
Albany County, New York
c/o Fiscal Advisors & Marketing, Inc.
120 Walton Street • Suite 600
Syracuse, New York 13202
Telephone # 315-752-0051, Ext. 1
Telefax # 315-752-0057

SALE DATE: August 18, 2011
SALE TIME: 11:00 o'clock A.M., Prevailing Time

\$4,000,000 Revenue Anticipation Notes, 2011

Dated: August 30, 2011

Maturity: September 30, 2011

Dear Sir:

(1) For \$_____ principal amount of the Notes of the School District as described in the Notice of Sale annexed hereto, we hereby offer to pay \$_____ Dollars (\$_____) and accrued interest from the date of the Notes to the date of delivery thereof, for Notes bearing interest at the rate (expressed in a multiple of one-eighth or one-hundredth of one per centum) of_____ per centum (.....%) per annum.

(2) For \$_____ principal amount of the Notes of the School District as described in the Notice of Sale annexed hereto, we hereby offer to pay \$_____ Dollars (\$_____) and accrued interest from the date of the Notes to the date of delivery thereof, for Notes bearing interest at the rate (expressed in a multiple of one-eighth or one-hundredth of one per centum) of_____ per centum (.....%) per annum.

The following is our computation of the net interest cost, made as provided in the above mentioned Notice of Sale, but not constituting any part of the foregoing Proposal for the purchase of the Notes therein described:

(1) For \$_____ Notes at _____%	(2) For \$_____ Notes at _____%
Gross Interest \$_____	Gross Interest \$_____
Less Premium Bid Over Par \$_____	Less Premium Bid Over Par \$_____
Net Interest Cost (NIC) \$_____	Net Interest Cost (NIC) \$_____
Effective NIC Rate _____% (four decimals)	Effective NIC Rate _____% (four decimals)

In the event we are awarded all or any portion of the Notes, we will promptly notify you of the denominations and paying agent or if we desire book-entry-only form in accordance with the terms of such Notice of Sale.

Print Name of Bidder

Bank/Institution

Telephone () _____

Telecopier () _____

Email Address _____