NEW ISSUE - BOOK-ENTRY-ONLY **Ratings:** See "Ratings" herein.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2007 Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, on the assumption that the DVRFA and the Participants comply with their covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended, and interest on the 2007 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the 2007 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the 2007 Bonds are exempt from Pennsylvania personal property taxes in Pennsylvania. See "TAX MATTERS" herein.

$160,000,000
DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)
Local Government Revenue Bonds, 2007 Series A, B and C

Dated: Date of Issuance **Due:** June 1, as shown on the inside front cover

The Delaware Valley Regional Finance Authority (the "DVRFA") is issuing $160,000,000 aggregate principal amount of its Local Government Revenue Bonds, 2007 Series A, B and C (collectively, the "2007 Bonds") pursuant to the Pennsylvania *Municipality Authorities Act*, a Resolution adopted on June 11, 2007, by the Board of the DVRFA, and a Master Trust Indenture (the "Master Indenture") and a First Supplemental Trust Indenture (collectively, the "Indenture") each dated June 28, 2007, between the DVRFA and Commerce Bank, N.A. (the "Trustee"). The 2007 Bonds will be the first Series of Bonds issued under and secured by the Master Indenture. DVRFA MAY ISSUE ADDITIONAL SERIES OF BONDS UNDER THE MASTER INDENTURE WHICH WILL BE SECURED ON A PARITY BASIS WITH THE 2007 BONDS EXCEPT AS OTHERWISE PROVIDED IN CONNECTION WITH THE ISSUANCE OF ANY ADDITIONAL SERIES OF BONDS**.**

DVRFA will issue the 2007 Bonds in fully registered, book-entry-only form in denominations and with interest payable on the dates as shown on the inside front cover. THE 2007 BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION AND TENDER AS DESCRIBED ON THE INSIDE FRONT COVER. See "THE 2007 BONDS" and "BOOK-ENTRY-ONLY SYSTEM."

The 2007 Bonds are special limited obligations of the DVRFA. The Trust Estate created under the Indenture, including (i) amounts payable under the Loan Agreements, (ii) Participant Credit Enhancements, (iii) the principal of and interest on any investments, and (iv) any moneys deposited in the funds and accounts created by the Indenture, secures the 2007 Bonds. See "SECURITY FOR THE 2007 BONDS." **NEITHER THE PRINCIPAL, PURCHASE PRICE, OR REDEMPTION PRICE OF NOR INTEREST ON THE 2007 BONDS SHALL CONSTITUTE A GENERAL OBLIGATION OF THE DVRFA, THE COMMONWEALTH OF PENNSYLVANIA, THE COUNTIES OF BUCKS, CHESTER, DELAWARE, OR MONTGOMERY, OR ANY POLITICAL SUBDIVISION THEREOF. DVRFA HAS NO TAXING POWER.**

THE PRINCIPAL, PURCHASE PRICE, AND REDEMPTION PRICE OF AND INTEREST ON THE 2007 BONDS AND PERIODIC INTEREST RATE SWAP PAYMENTS (THE "SWAP PAYMENTS") UNDER SWAP AGREEMENTS, HEREIN DESCRIBED, WILL BE EQUALLY AND RATABLY SECURED UNDER THE INDENTURE AND THE TRUST ESTATE, PAYABLE FROM THE REVENUE FUND. Any termination payment (a "Termination Payment") under a Swap Agreement, will be subordinate to the payment of principal, purchase price, and redemption price of and interest on the 2007 Bonds then due and payable and Swap Payments. Termination Payments are payable solely from moneys available in the Discretionary Fund or from Excess Funds available under the Covenant Agreement. See "INTEREST RATE SWAP AGREEMENT" and "Appendix II: COVENANT AGREEMENT."

The 2007 Series B Bonds, initially issued at a Weekly Interest Rate, will be secured by an irrevocable, direct pay Letter of Credit issued by Bayerische Landesbank, acting through its New York Branch, with an initial expiration date of June 28, 2017. The Letter of Credit shall secure payment of principal, purchase price, and redemption price of and interest on the 2007 B Bonds while bearing interest at the Weekly Interest Rate. See "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."

Pursuant to the Covenant Agreement, the DVRFA has pledged certain funds from all of its series of bonds, if available, to transfer to any other series that does not have sufficient available funds to (i) replenish any deficiency of the debt service reserve fund, (ii) pay any debt service payments, including periodic scheduled payments under interest rate swap agreements, (iii) pay any administrative expenses, including amounts necessary to maintain liquidity, and (iv) pay any termination payments of interest rate swap agreements. See "SECURITY FOR THE 2007 BONDS - COVENANT AGREEMENT" and "Appendix II: COVENANT AGREEMENT."

The proceeds of the 2007 Bonds will be used to provide funds (i) to originate or acquire loans to Local Government Units or other political subdivisions that are guaranteed by a Local Government Unit (each, a "2007 Series Participant"), (ii) redeem a portion of the DVRFA's Local Government Revenue Bonds, 1997 Series A (the "1997 A Bonds"), (iii) fund a Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2007 Bonds. See "THE 2007 BONDS – PLAN OF FINANCE."

A loan agreement (the "Loan Agreement") will evidence each loan between a 2007 Series Participant and the DVRFA. A PLEDGE OF THE FULL FAITH, CREDIT AND TAXING POWER OF EACH 2007 SERIES PARTICIPANT OR ITS GUARANTOR SHALL SECURE THE REPAYMENTS UNDER EACH LOAN AGREEMENT. Certain Loan Agreements may also be secured by a Participant Credit Enhancement. NO PARTICIPANT CREDIT ENHANCEMENT WILL GUARANTEE THE PAYMENT OF THE PRINCIPAL, REDEMPTION PRICE, OR INTEREST ON THE 2007 BONDS. See "SECURITY FOR THE 2007 BONDS."

This cover page contains information for quick reference only and is **NOT** a summary of this issue. Investors must read the entire Official Statement, including Appendices, to obtain information essential to making an informed investment decision.

The 2007 Bonds are offered, subject to the prior sale, withdrawal, or modification of the offer without notice, when, as and if received by the DVRFA and received by the Underwriters, subject to approval of legality by Blank Rome LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the DVRFA by its counsel, Carmen P. Belefonte, Esquire, Media, Pennsylvania; and for the Underwriters by Lamb McErlane PC, West Chester, Pennsylvania. The DVRFA expects the 2007 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June 28, 2007.

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Boenning & Scattergood, Inc. **First American Municipals, Inc.** **Merrill Lynch & Co.**

Dated: June 20, 2007

$10,000,000 Local Government Revenue Bonds, 2007 Series A
Fixed Interest Rate

Maturities, Amounts, Interest Rates, Prices, and Yields

Maturity	Principal Amount	Coupon	Yield	Price
June 1, 2037	$ 10,000,000	5.50%	4.65%	113.656%

$50,000,000 Local Government Revenue Bonds, 2007 Series B
Weekly Interest Rate

Maturities and Amounts

Maturity	Principal Amount	Remarketing Agent	Credit Facility
June 1, 2042	$ 50,000,000 (1)	Merrill Lynch, Pierce, Fenner & Smith Incorporated	Letter of Credit issued by Bayerische Landesbank, acting through its New York Branch

(1) The first Weekly Interest Rate Period will begin on the date of issuance and end on, and include, July 1, 2007. Thereafter, the Weekly Interest Rate Period will begin on, and include, the first Business Day of the month and end on, and include, the day before the first Business Day of the next succeeding month.

Bayern LB

$100,000,000 Local Government Revenue Bonds, 2007 Series C
LIBOR-Based Interest Rate

$50,000,000 LIBOR-Based Interest Rate Bonds Due June 1, 2027 at a price of 100% (1)

$50,000,000 LIBOR-Based Interest Rate Bonds Due June 1, 2037 at a price of 100% (2)

(1) The LIBOR-Based Interest Rate Bonds will bear interest from their date of delivery at a per annum rate for each LIBOR-Based Interest Rate Period equal to (a) 67% of the Three-Month LIBOR Rate for such period plus (b) a per annum spread equal to 0.65%; provided that the LIBOR-Based Interest Rate will never exceed the Maximum Rate, as specified in the Indenture.

(2) The LIBOR-Based Interest Rate Bonds will bear interest from their date of delivery at a per annum rate for each LIBOR-Based Interest Rate Period equal to (a) 67% of the Three-Month LIBOR Rate for such period plus (b) a per annum spread equal to 0.75%; provided that the LIBOR-Based Interest Rate will never exceed the Maximum Rate, as specified in the Indenture.

Book-Entry-Only Form: When issued, the 2007 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2007 Bonds. Beneficial ownership interests in the 2007 Bonds will be recorded in book-entry-only form. Purchasers will not receive physical delivery of certificates representing their ownership interests in their respective 2007 Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM."

Denominations: DVRFA will issue the 2007 Bonds in fully registered form in denominations of (i) $100,000 principal amount, or any multiple of $5,000 in excess thereof, for the 2007 Bonds bearing interest at a Weekly Interest Rate or (ii) $5,000 principal amount, or any multiple of $5,000 in excess thereof, for the 2007 Bonds bearing interest at a Fixed Interest Rate or a LIBOR-Based Interest Rate. See "THE 2007 BONDS."

Interest Payment Dates: Interest on the 2007 Bonds will be paid (i) semiannually on June 1 and December 1 for 2007 Bonds bearing interest at a Fixed Interest Rate, commencing on December 1, 2007, (ii) monthly on the first Business Day of the month for the 2007 Bonds bearing interest at a Weekly Interest Rate, commencing on July 2, 2007, and (iii) quarterly on March 1, June 1, September 1, and December 1 for 2007 Bonds bearing interest at a LIBOR-Based Interest Rate, commencing on September 1, 2007. If any date scheduled for an interest payment is not a Business Day, interest shall be paid on the next succeeding Business Day. See "THE 2007 BONDS."

Redemption: The 2007 Bonds bearing interest at a Fixed Interest Rate are not subject to Optional Redemption. The 2007 Bonds bearing interest at a Weekly Interest Rate or a LIBOR-Based Interest Rate are subject to Optional Redemption. All of the 2007 Bonds are subject to Extraordinary Mandatory Redemption. See "THE 2007 BONDS - REDEMPTION."

Tender: The 2007 Bonds bearing interest at a Weekly Interest Rate are subject to Optional and Mandatory Tender. See "THE 2007 BONDS – PURCHASE OF BONDS UPON TENDER."

No dealer, broker, salesman or other person has been authorized by the DVRFA or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon. 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 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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 any of the information set forth herein since the date hereof, or the date as of which particular information is given, if earlier. This Official Statement is not to be construed as a contract or agreement between the DVRFA and the purchasers or owners, from time to time, of any of the 2007 Bonds.

The Underwriters may offer and sell the 2007 Bonds to certain dealers (including dealers depositing the 2007 Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2007 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2007 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information set forth herein has been obtained from the DVRFA and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriters.

Delaware Valley Regional Finance Authority

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Flourtown, PA 19031

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Official Statement

$160,000,000
DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
(Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania)

Local Government Revenue Bonds, 2007 Series A, B and C

INTRODUCTION

The Delaware Valley Regional Finance Authority (the "DVRFA") is a body corporate and politic organized and duly existing under the Pennsylvania *Municipality Authorities Act*, 53 Pa. C.S. Ch. 56, as supplemented and amended (the "*Authorities Act*"), by Bucks, Chester, Delaware and Montgomery Counties (the "Counties"). The DVRFA received a Certificate of Incorporation from the Department of State of the Commonwealth of Pennsylvania on December 23, 1985.

The Counties created the DVRFA to provide loans to boroughs, townships, cities, school districts, counties, and other governmental entities with taxing power, each a "Local Government Unit" as defined in the *Local Government Unit Debt Act*, 53 Pa. C.S.A. §8001 et. seq. (the "*Debt Act*") or to other political subdivisions that are guaranteed by a Local Government Unit (each, in such capacity, a "Guarantor"). The DVRFA periodically issues bonds to provide funds for loans to Local Government Units and to other political subdivisions (each a "Participant") for projects (each a "Project") as defined in the *Debt Act*. Projects authorized in the *Debt Act* include, but are not limited to: (i) items of construction, acquisition, extraordinary maintenance, or repair, (ii) preliminary studies, testing, planning, or design work, (iii) acquisition of land or rights in land, (iv) furnishings, machinery, and equipment, (v) revision of assessment of real property, (vi) funding of all or a portion of a reserve for liability insurance and self-insurance, (vii) funding of an unfunded actuarial liability, (viii) funding or refunding of debt incurred for any or all of the foregoing purposes, and (ix) funding a deficit or creating a revolving fund for improvements.

This Official Statement, including the cover page and Appendices hereto, is provided to furnish certain information in connection with the issuance by the DVRFA of its $160,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the "2007 Bonds"). Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the respective meanings ascribed to them in the Indenture, the Reimbursement Agreement, the Letter of Credit, or the Swap Agreement, as applicable, all as hereinafter defined. See "DEFINITIONS OF CERTAIN TERMS."

The 2007 Bonds will be issued pursuant to the provisions of the *Authorities Act*, a resolution (the "Resolution) adopted by the Board of DVRFA on June 11, 2007, and a Master Trust Indenture (the "Master Indenture") and a First Supplemental Trust Indenture (the "First Supplemental Indenture" and collectively, the "Indenture") each dated June 28, 2007, between the DVRFA and Commerce Bank, N.A., which will act as trustee, registrar, paying agent, and tender agent (collectively, the "Trustee") for the 2007 Bonds and all other Series of Bonds issued under the Master Indenture. The corporate trust office of the Trustee responsible for administration of the Indenture is located at 121 S. Broad St., Lower Level, Philadelphia, Pennsylvania 19107.

The 2007 Bonds will be the first Series of Bonds issued under and secured by the Master Indenture. The 2007 Bonds and all other bonds issued under the Master Indenture (collectively, the "Bonds") will be secured on a parity basis in the Trust Estate (hereinafter defined), except as may be provided in a Supplemental Indenture authorizing the issuance of a Series of Bonds.

The 2007 Bonds initially will be issued in book-entry-only form and registered in the name of Cede &Co., as nominee for The Depository Trust Company (the "DTC"). So long as the 2007 Bonds are held in the book-entry system, DTC or its nominee will be the registered owner of the 2007 Bonds. Unless the book-entry system for the 2007 Bonds is discontinued, prospective purchasers will acquire beneficial ownership interests in the 2007 Bonds in denominations of (i) $100,000, or any multiple of $5,000 in excess thereof, for the 2007 Bonds bearing interest at a weekly interest rate (the "Weekly Interest Rate") or (ii) $5,000, or any multiple of $5,000 in excess thereof, for the

2007 Bonds bearing interest at a fixed interest rate (the "Fixed Interest Rate") or a LIBOR-based interest rate (the "LIBOR-Based Interest Rate"). Beneficial owners will not receive 2007 Bond certificates representing such ownership interests. For purposes of this Official Statement, DTC or its nominee, and its successors and assigns, are referred to as the "Securities Depository." See "BOOK-ENTRY-ONLY SYSTEM."

The 2007 Bonds will initially bear interest at the rates or rate modes specified on the inside cover page of this Official Statement. Interest is calculated on a 30-day month and 360-day year basis for the 2007 Bonds issued at a Fixed Interest Rate. Interest is calculated on the actual number of days in the interest rate calculation period and the actual number of days in the year for the 2007 Bonds bearing interest at a Weekly Interest Rate or a LIBOR-Based Interest Rate. Interest on the 2007 Bonds bearing interest at a Fixed Interest Rate will be payable semiannually on June 1 and December 1, commencing on December 1, 2007. Interest on the 2007 Bonds bearing interest at a LIBOR-Based Interest Rate will be payable quarterly on March 1, June 1, September 1, and December 1, commencing September 1, 2007. Interest on the 2007 Bonds bearing interest at the Weekly Interest Rate will be payable monthly on the first Business Day of the month, commencing on July 2, 2007. The 2007 Bonds will mature in the years and amounts as set forth on the inside cover page of this Official Statement. See "THE 2007 BONDS."

THE 2007 A BONDS ARE NOT SUBJECT TO OPTIONAL REDEMPTION.

THE 2007 B BONDS AND THE 2007 C BONDS ARE SUBJECT TO OPTIONAL REDEMPTION WHILE BEARING INTEREST AT A WEEKLY INTEREST RATE OR LIBOR-BASED INTEREST RATE.

THE 2007 B BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY TENDER WHILE BEARING INTEREST AT A WEEKLY INTEREST RATE. THE PAYMENT OF PRINCIPAL, PURCHASE PRICE, AND REDEMPTION PRICE OF AND INTEREST ON THE 2007 B BONDS IS SECURED BY AN IRREVOCABLE, DIRECT DRAW, LETTER OF CREDIT ISSUED BY BAYERISCHE LANDESBANK, ACTING THROUGH ITS NEW YORK BRANCH.

THE 2007 C BONDS ARE NOT SUBJECT TO OPTIONAL OR MANDATORY TENDER WHILE BEARING INTEREST AT A LIBOR-BASED INTEREST RATE.

ALL OF THE 2007 BONDS ARE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION. SEE "THE 2007 BONDS - REDEMPTION."

The DVRFA, under the provisions of the Covenant Agreement, has pledged to transfer certain funds, if available, under the trust estate of any bond series of the DVRFA to any other bond series of the DVRFA that does not have sufficient available funds to (i) replenish a deficiency of a debt service reserve fund, (ii) pay debt service due on bonds or payments due on interest rate swap agreements, or (iii) pay any administrative expenses, including amounts necessary to maintain liquidity, and (iv) pay termination payments for interest rate swap agreements. DVRFA would, if necessary, so long as other bond series are outstanding, transfer certain excess funds, if available, from the trust estates of other bond series to the 2007 Bonds; conversely, certain funds held under the Master Indenture for all Series of Bonds issued thereunder may be transferred to other bond series. See "SECURITY FOR THE 2007 BONDS – COVENANT AGREEMENT" and "Appendix II: COVENANT AGREEMENT." The DVRFA has managed the cash flow of the funds from all of its outstanding bond issues, in furtherance of its programmatic objectives, as though they constituted a single loan program. From time to time, before and after the adoption of the Covenant Agreement, the DVRFA has transferred funds among the trust estates to provide liquidity, to pay Administrative Expenses, and to pay costs of issuance. The DVRFA expects to continue this practice in the future. See "Appendix I: FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2006."

The 2007 Bonds are being issued to provide funds (i) to originate or to acquire loans from Local Government Units or other political subdivisions that are guaranteed by a Local Government Unit, (ii) redeem a portion of the DVRFA's Local Government Revenue Bonds, 1997 Series A (the "1997 A Bonds"), (iii) fund a Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2007 Bonds. See "THE 2007 BONDS – PLAN OF FINANCE." The DVRFA expects to enter into one or more Swap Agreements to provide fixed and variable interest rate loans, to reduce interest costs, and to diversify future interest rate risks. See "INTEREST RATE SWAP

AGREEMENTS." The DVRFA expects to enter into one or more investment agreements to invest the net proceeds of the 2007 Bonds. See "INVESTMENT AGREEMENTS."

Each 2007 Series Participant or, if the 2007 Series Participant is a political subdivision without taxing power, a Guarantor, shall guarantee Repayments (Loan Principal and Participant Interest) and Termination Charges and all other obligations of the 2007 Series Participant under its Loan Agreement and shall pledge its full faith, credit, and taxing power to secure the 2007 Series Participant's obligation to pay Loan Principal and Loan Interest. See "SECURITY FOR THE 2007 BONDS – LOAN AGREEMENT" and "TAXING POWERS OF LOCAL GOVERNMENT UNITS."

The DVRFA believes that the Loan Program helps meet its programmatic objectives. See "THE DVRFA – PROGRAMMATIC OBJECTIVES" for more discussion. The DVRFA's primary objectives are (i) to provide loans at lower costs than Participants could achieve with other financing options, (ii) to provide fixed and variable rate funding options, and (iii) to improve the ability of Participants to manage their debt.

Neither the delivery of this Official Statement nor any sale of the 2007 Bonds shall, under any circumstances, create any implication that no changes have occurred in the affairs of the DVRFA, any existing borrowers, or the communities or areas served by the DVRFA, since the date of this Official Statement or, if earlier, the dates as of which particular information contained in this Official Statement is given. The descriptions in this Official Statement of the 2007 Bonds, certain provisions of the *Authorities Act*, the *Debt Act*, the *Public School Code of 1949*, as amended by *Act 150 of 1975* 24 P.S. §1-101 et. seq. (P.L. 511, the "*Public School Code*"), *Act No. 50 of 1998* ("*Act 50*"), *P.L. 1257* (the "*Local Tax Enabling Act*"), *Special Session Act No. 1 of 2006* ("*Act 1*" or the "*Taxpayer Relief Act*"), the Reimbursement Agreement, the Letter of Credit, the Swap Agreement, the Loan Agreements, and the Indenture are qualified by reference to the complete text of such instruments and documents, copies of which are available at the corporate trust office of the Trustee .

DEFINITIONS OF CERTAIN TERMS

As used herein, the following terms shall have the following meanings. All other capitalized terms used in this Official Statement and not otherwise defined shall have the respective meanings ascribed to them in the Indenture, Reimbursement Agreement, Letter of Credit, or Swap Agreement, as applicable.

"**1997 A Bonds**" means the DVRFA's $70,000,000 aggregate principal amount, Local Government Revenue Bonds, Series 1997 A.

"2007 A Bonds" shall mean the DVRFA Local Government Revenue Bonds, 2007 Series A.

"2007 B Bonds" shall mean the DVRFA Local Government Revenue Bonds, 2007 Series B.

"2007 C Bonds" shall mean the DVRFA Local Government Revenue Bonds, 2007 Series C.

"Administrative Expenses" means any expenditures of the DVRFA reasonably and necessarily incurred by the DVRFA by reason of its issuance of Bonds or for the Program, as determined by the Administrator, including, without limitation, Compliance Charges, auditing fees and expenses, Extraordinary Payments, non-asset bond costs, costs associated with rebate compliance, the fees and expenses of the Trustee, the Administrator and the Rebate Analyst, all other legal, financing and administrative expenses incurred by the DVRFA with respect to the Program, including the fees, costs, and expenses of any Credit Facility Provider, the maintenance of prudent levels of liquidity to provide sufficient levels of operating cash flow, as determined by the Administrator and any expenses incurred by the DVRFA or the Trustee to compel full and punctual performance of all the provisions of this Indenture, the Loan Agreements or the Participant Notes.

"Administrator" means the Program Administrator, initially Calhoun, Baker Inc., and any successor Administrator (which may include the DVRFA) duly appointed by the DVRFA and acting as Administrator under the Indenture; provided, however if the DVRFA is the Administrator, it may delegate to any person, firm or corporation qualified to do business in the Commonwealth of Pennsylvania as servicing agent, any of the duties and responsibilities of the Administrator hereunder, upon written notice thereof to the Trustee.

"Bond Counsel" means any law firm designated by the DVRFA having a reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds and which is reasonably acceptable to the Trustee, initially, with respect to the 2007 Bonds, Blank Rome LLP.

"Bondholder" means, (i) in the event that the book-entry-only system of evidence and transfer of ownership is employed, Cede & Co., as nominee for DTC, or its successors, and (ii) in all other cases, the registered owner of any Bond.

"Business Day" means (i) any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York, or the city or cities in which the corporate trust office of the Trustee is authorized by law or executive order to close, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which a Drawing cannot be made for Bonds then secured by a Credit Facility, or (ii) as determined in a Supplemental Indenture.

"*Code*" means the *Internal Revenue Code of 1986*, as amended, and the regulations promulgated or proposed thereunder.

"Commonwealth" means the Commonwealth of Pennsylvania.

"Compliance Charges" mean amounts payable by the Participants under the Loan Agreements and Participant Notes in respect of compliance with the disclosure requirements of Rules 10b-5 and 15c2-12 of the Securities and Exchange Commission.

“Continuing Disclosure Agreement” means any agreement under which DVRFA agrees to provide annual financial information to the municipal markets in accordance with the requirements of Rule 15c2-12 promulgated under the *Securities and Exchange Commission Act of 1934*, as amended and supplemented from time to time.

“Conversion” means a conversion of the 2007 B Bonds or 2007 C Bonds, as applicable, from one Interest Rate Period to another Interest Rate Period.

“**Conversion Date**” means the effective date of a Conversion.

“Counties” means the Counties of Bucks, Chester, Delaware, and Montgomery in the Commonwealth of Pennsylvania.

“Covenant Agreement” means that certain undertaking by the DVRFA for the benefit of all present and future outstanding bond and swap obligations of the DVRFA dated April 9, 2001, as amended and restated on April 23, 2002, on April 12, 2004, and further amended and supplemented as of June 28, 2007.

“Credit Facility” means individually and collectively, any letter of credit, standby bond purchase agreement, municipal bond insurance policy, financial guaranty policy, or similar instrument provided in connection with the issuance of any Series of Bonds to guarantee the timely payment of principal of and interest on and, if required, tender purchase price of such Series of Bonds optionally or mandatorily tendered for purchase as provided in the Supplemental Indenture authorizing such Series of Bonds.

“**Credit Facility Bonds**” means each applicable 2007 Bond purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Credit Facility, but excluding 2007 Bonds no longer considered to be Credit Facility Bonds in accordance with the terms of the applicable Credit Facility.

“**Credit Facility Provider**” means a commercial bank or other financial institution issuing a Credit Facility for the 2007 Bonds.

“**Credit Facility Rate**” means the rate per annum, if any, specified in a Credit Facility as applicable to Credit Facility Bonds, which rate may not exceed the Maximum Rate.

“*Debt Act*” means the Pennsylvania *Local Government Unit Debt Act*, approved July 12, 1972, P.L. 781, as re-enacted on April 28, 1978, P.L. 124 and December 19, 1996, P.L. 1158.

“Drawing” shall mean a drawing under the Letter of Credit or other Credit Facility.

“DTC Participant” or “DTC Participants” means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system.

“**Eligible Bonds**” means any 2007 B Bonds or 2007 C Bonds, as applicable while bearing interest at a Weekly Interest Rate, other than Credit Facility Bonds or 2007 B Bonds or 2007 C Bonds owned by, for the account of, or on behalf of, the DVRFA.

“**Event of Default**” means any of the events specified in the Indenture.

“Excess Funds” means (i) the amounts that DVRFA has accumulated under the indentures of the 1985 Bonds, the 1986 Bonds, the 1997 Bonds, the 1998 Bonds, and the 2002 Bonds which can be paid to and used by the DVRFA for any purpose and (ii) the amounts in the Discretionary Fund under the Master Indenture which can be paid to and used by the Authority as provided therein.

“**Expiration Date**” means (i) the date upon which a Credit Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Credit Facility, from time to time) in accordance with its terms, excluding termination upon the effective date of an Replacement Credit Facility and (ii) the date upon which a Credit Facility terminates following voluntary termination by the DVRFA.

"Favorable Opinion of Bond Counsel" means, when used with respect to or in connection with any action, a written opinion of Bond Counsel or Special Tax Counsel to the effect that such action or failure to take action shall not adversely affect the excludability of interest paid on Bonds or a Series of Bonds from gross income for federal or Commonwealth income tax purposes.

"**Fixed Interest Rate**" means a fixed interest rate borne by the 2007 A Bonds or the 2007 B Bonds or the 2007 C Bonds during a Fixed Interest Rate Period as determined in accordance with the Indenture.

"**Fixed Interest Rate Period**" means (i) the period during which the 2007 A Bonds are outstanding and (ii) the period with respect to the 2007 B Bonds or 2007 C Bonds during which a Fixed Interest Rate is in effect.

"Fixed Rate Loan" means the fixed rate borne by certain Loans as calculated by the Administrator.

"Guarantor" means a Local Government Unit that guarantees the timely Repayments of a Participant and pledges its full faith, credit and taxing power to guarantee the payments of a Loan Principal and Participant Interest of a Participant.

"Indenture" means the Master Trust Indenture, dated as of June 28, 2007, between DVRFA and the Trustee, and all Supplemental Indentures, including the First Supplemental Indenture dated as of June 28, 2007.

"**Interest Rate Period**" means with respect to 2007 B Bonds or 2007 C Bonds, a Weekly Interest Rate Period, a Fixed Interest Rate Period, or a LIBOR-Based Interest Rate Period, as applicable.

"Investment Agreement" or **"Investment Agreements"** means initially, the Investment Agreement or Investment Agreements entered into on the date of issuance of any Series of Bonds, and any written investment agreement or repurchase agreement relating to a Series of Bonds thereafter entered into by the Trustee at the written direction of the DVRFA for the purpose of investing moneys deposited in certain of the Funds, which investment agreement or repurchase agreement, and any amendments thereto or replacements thereof, is subject to the approval of the DVRFA.

"**LIBOR-Based Interest Rate**" means a variable interest rate borne by the 2007 B Bonds or 2007 C Bonds, as applicable, as established in accordance with the Indenture.

"**LIBOR-Based Interest Rate Period**" means each period with respect to any 2007 B Bonds or 2007 C Bonds during which a LIBOR-Based Interest Rate is in effect.

"Liquidation Proceeds" means amounts received by the Trustee or the DVRFA in connection with enforcement of any of the remedies under a Loan Agreement after the occurrence of a Loan Agreement Default which has not been waived or cured.

"Loan" means a loan of a portion of the proceeds of Bonds to a Participant pursuant to the terms of a Loan Agreement, through the purchase by the DVRFA of the Participant Note evidencing the Participant's obligations to repay principal and interest on such loan.

"Loan Documents" means all of the approvals, agreement, certificates, and schedules required for the closing of a Loan, including the (i) the approvals of the Administrator, DVRFA Board, DCED, Participant Credit Enhancer (if any), Swap Counterparty (if required), and Credit Facility Provider (if any); (ii) the Participant Ordinance or Participant Resolution; (iii) the Loan Agreement, Participant Note, Participant Continuing Disclosure Agreement, and Participant Tax Compliance Agreement; (iv) Favorable Opinion of Bond Counsel, opinion of the DVRFA solicitor, opinion of the Participant's solicitor, and, if applicable, opinion of the Guarantor's solicitor and (v) any other certificates or schedules required by the Administrator or Bond Counsel or required under a Supplemental Indenture.

"Loan Payment Date" means the 25th day of the month or, if that date is not a Business Day, the next succeeding Business Day, unless otherwise specified in the Loan Agreement.

“Loan Prepayment Date” means the date that the prepayment of all or a portion of a Loan is received.

“Loan Program” means the program established by the DVRFA for financing the Projects of Local Government Units in the Counties by the issuance of the Bonds.

“Local Government Unit” means any county, county institution district, city, township, incorporated town, borough, school district, or any other similar general or limited purpose unit with taxing power located in the Commonwealth of Pennsylvania that is legally authorized to borrow money for a Project under the provisions of the *Debt Act*.

“Master Indenture” means the Master Trust Indenture, dated as of June 28, 2007, between DVRFA and the Trustee, dated as of June 28, 2007.

“Maximum Rate” means the lesser of (a) the highest interest rate that may be borne by the Loans under Commonwealth law and (b) 15% per annum.

“Moody’s” means Moody’s Investors Service.

“Municipal Swap Index” means the rate of interest established as the weekly high grade market index comprised of 7-day tax-exempt variable rate demand obligations, published weekly and reset each Thursday by the Securities Industry and Financial Markets Association (“SIFMA”) as the Municipal Swap Index, and in the event such rate is no longer determined, any replacement thereof established in the Swap Agreements or approved by the Administrator.

“Net Proceeds” shall have the meaning set forth in and the amount determined pursuant to § 149(f)(2)(c) of the *Code* to which amount so determined shall be added earnings on the Net Proceeds to any applicable calculation date.

“Original Stated Amount” means the maximum amount of $50,924,658 available for drawings under the Letter of Credit, representing $50,000,000 for principal of the 2007 B Bonds and $924,658 of accrued interest on the 2007 B Bonds at the maximum rate of 15% for 45 days.

“Participant” means and includes (i) a Local Government Unit located in the Commonwealth, that is legally authorized to borrow money for a Project under the provisions of the *Debt Act*, that executes a Loan Agreement and Participant Note pursuant to the Indenture and that pledges its full faith, credit and taxing power to guarantee payments of Loan Principal and Participant Interest under the Participant Note and Loan Agreement in accordance with the provisions of the *Debt Act* and otherwise covenants to pay amounts due under a Loan Agreement and a Participant Note, and (ii) a political subdivision located in the Commonwealth, that is legally authorized to borrow money for a Project under the provisions of the *Debt Act or Authorities Act*, and that executes a Loan Agreement and Participant Note pursuant to the Indenture which Loan Agreement and Participant Note are guaranteed by a Guarantor, in accordance with the provisions of the *Debt Act*.

“Participant Continuing Disclosure Agreement” means the agreement under which a Participant and its Guarantor, if any, agrees to provide annual financial information to the municipal markets in accordance with the requirements of Rule 15c2-12 promulgated under the *Securities and Exchange Commission Act of 1934*, as amended and supplemented from time to time.

“Participant Credit Enhancement” means, (i) with respect to a Loan Agreement, a municipal bond insurance policy, or a financial guaranty insurance policy, or a letter of credit, or other enhancement issued by a Participant Credit Enhancer to secure all or a portion of the Repayments of a Participant and (ii) with respect to a Swap Agreement, a municipal bond insurance policy, a swap insurance policy or a financial guaranty insurance policy, or a letter of credit or other enhancement issued by a Participant Credit Enhancer to secure the DVRFA’s obligations under a Swap Agreement related to a Loan.

“Participant Credit Enhancer” means a municipal bond insurer or other financial institution with claims paying ability ratings (or equivalent ratings) of “Aa3” or higher by Moody’s and “AA-” or higher by S&P that provides Participant Credit Enhancement.

"Participant Interest" means the rate of interest to be paid by the Participant on a Loan, as set forth in a Loan Agreement and a Participant Note.

"Participant Note" means the note executed and delivered by each Participant to evidence its obligation to make all payments under a Loan Agreement.

"Participant Ordinance" or **"Participant Resolution"** means the ordinance enacted or the resolution adopted by a Participant, in accordance with the provisions of the *Debt Act* or the *Authorities Act*, authorizing the issuance of the Participant Note and the sale thereof to the DVRFA, and approving the execution and delivery of the Participant's Loan Agreement.

"Participant Tax Compliance Agreement" means a Tax Compliance Agreement between the DVRFA and a Participant (new money project, refunding project, recycling project or combined new money project and refunding project, as applicable) concerning compliance with the provisions of Section 103(a) of the *Code*, executed by a Participant in connection with its execution of a Loan Agreement.

"Paying Agent" means the Trustee as paying agent for Bonds, or any successor thereto named by the DVRFA to act as Paying Agent or any paying agent named for a Series of Bonds in a Supplemental Indenture.

"Political Subdivision" means a Local Government Unit, an authority created under the *Authorities Act*, or any other entity created by statute in Pennsylvania that may incur debt with a guaranty of a Local Government Unit under the *Debt Act*.

"Principal Payment Date" means each date set forth in a Supplemental Indenture that payment of principal of a Series of Bonds is due and payable, whether at scheduled maturity, upon mandatory sinking fund redemption or upon optional or extraordinary mandatory redemption.

"Project" means a project, as defined in the *Debt Act*, and which constitutes the acquisition, extension, erection, improvement, equipping or repair of any buildings, structures, equipment and improvements constituting a capital project of a Participant, all or a portion of the Cost of which is financed or refinanced by the DVRFA pursuant to the Indenture and a Loan Agreement.

"**Purchase Price**" means, for 2007 Bonds bearing interest at a Weekly Interest Rate that are subject to optional or mandatory tender, the principal amount of the 2007 Bonds plus accrued interest, if any, to the date of the purchase.

"Qualified Interest Rate Management Agreement" shall have the meaning set forth in the *Debt Act.*

"Rating Agency" means Moody's, if such agency's ratings are in effect with respect to the Bonds, and/or S&P, if such agency's ratings are in effect with respect to the Bonds, and their respective successors and assigns.

"Rebate Analyst" means Calhoun, Baker Inc., or such other law firm or accounting firm appointed by the DVRFA specializing in federal arbitrage "rebate" matters under Section 148(f) of the Code.

"Rebate Fund" means the fund of that name created by Section 5.02 hereof.

"**Record Date**" means (i) with respect to 2007 A Bonds, the 15th day of the calendar month preceding an Interest Payment Date; and (ii) with respect to the 2007 B Bonds or 2007 C Bonds for any Interest Payment Date in a (i) Weekly Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (ii) Fixed Interest Rate Period or LIBOR-Based Interest Rate Period, the 15th day of the calendar month preceding the calendar month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Fixed Interest Rate Period, said first day.

"Recycling Fund Termination Date" means (i) the date that the DVRFA determines that the proceeds deposited in the Recycling Fund are no longer reasonably expected to be required for the Loan Program or (ii) a period of one year following each repayment of Loan Principal, beginning on June 28, 2011.

"**Redemption Price**" means, with respect to any 2007 Bond (or portion thereof), the principal amount of such 2007 Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2007 Bond and the Indenture.

"Reimbursement Agreement" shall mean the Reimbursement Agreement dated as of June 28, 2007, between the DVRFA and Bayerische Landesbank, acting through its New York Branch, pursuant to which the Letter of Credit was issued in order to secure the 2007 B Bonds.

"Related Documents" means and includes (without limitation) the Reimbursement Agreement, the Letter of Credit, the 2007 Bonds, the Remarketing Agreement, the Indenture, the Loan Agreements, the Swap Agreement, the Loan Documents and any and all other documents which the DVRFA has executed and delivered, or may hereafter execute and deliver, to evidence or further assure the DVRFA's obligations under the Indenture.

"**Remarketing Agent**" means any remarketing agent or successor or additional Remarketing Agent appointed with respect to any Series of the 2007 Bonds in accordance with the First Supplemental Indenture, initially Merrill Lynch, Pierce, Fenner & Smith Incorporated for the 2007 B Bonds.

"**Remarketing Agreement**" means each such agreement for either the 2007 B Bonds or 2007 C Bonds, as applicable, between the DVRFA and a Remarketing Agent, as the same may be amended from time to time, and any similar agreement between the DVRFA and a successor Remarketing Agent.

"Repayments" means the payments of Loan Principal of and Participant Interest on the Participant Notes.

"Replacement Credit Facility" means a Credit Facility which replaces the Credit Facility then in effect pursuant to the First Supplemental Indenture.

"Reserve Requirement" means, as of any date of calculation, the aggregate of all amounts required to be deposited and maintained in the Debt Service Reserve Fund, as set forth in each Supplemental Indenture authorizing the issuance of a Series of Bonds. The initial Reserve Requirement for the 2007 Bonds is $16,000,000, 10% of the par amount of the 2007 Bonds.

"Revenues" means all income, revenues, issues, profits and other sums of money received by the DVRFA from the Loan Agreements, Participant Notes, Guarantees, Swap Agreements and Participant Credit Enhancement, including, without limitation, all Repayments, Termination Charges, Liquidation Proceeds, Optional Prepayment Prices, Swap Receipts, Termination Payments, and Termination Charges.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Series" means each series of Bonds authorized to be issued by a Supplemental Indenture.

"Sinking Fund Depository" shall mean the bank, trust company, or a bank and trust company, located and lawfully conducting business in Pennsylvania, appointed by a Local Government Unit to maintain the bank account, or sinking fund, to receive payments for debt incurred pursuant to the *Debt Act*.

"Supplemental Indenture" means any supplements or amendments to the Indenture from time to time adopted by the DVRFA (i) in connection with the issuance of a Series of Bonds or (ii) to amend provisions of the Indenture.

"Swap Agreements" means interest rate swap agreements which DVRFA may execute, from time to time, with a Swap Counterparty in order to reduce the interest costs of Participants, provide for diversification of risks, or to enhance the ability of Participants to manage their liabilities, approved as to form and substance by (i) the Administrator and (ii) the Credit Facility Provider, if applicable, under the Supplemental Indenture.

"Swap Counterparty" means, individually and collectively, one or more financial institutions, which executes a Swap Agreement and which, at the time of execution of the Swap Agreement, by itself or as a result of a guarantee of a Swap Guarantor, has long-term, senior, unsecured debt ratings (or equivalent ratings) of "Aa3" or higher by Moody's and "AA-" or higher by S&P.

"Swap Payment" means, under a Swap Agreement, an amount payable to a Swap Counterparty or by a Swap Counterparty equal to the periodic scheduled payments accruing on the notional amount specified in such Swap Agreement at a variable rate or a fixed rate computed in accordance with such Swap Agreement.

"Swap Rate" means the rate based upon which amounts payable by the DVRFA are determined by or with respect to a Swap Agreement, which rate shall not exceed the Maximum Rate.

"Swap Receipts" means, under a Swap Agreement, the amounts payable by a Swap Counterparty as Swap Payments and as Termination Payments in respect of the notional amount specified in such Swap Agreement, at a variable rate or a fixed rate computed in accordance with such Swap Agreement.

"Tax Compliance Certificate" means the Tax Compliance Certificate and Agreement of the DVRFA dated the date of delivery of each Series of Bonds.

"**Tender Agent**" means initially the Trustee or any successor Tender Agent.

"Termination Charge" means the rate or charge, determined by the Administrator, representing a Participant's allocable share of any Termination Payment payable by DVRFA to a Swap Counterparty.

"Termination Payment" means an amount payable by the DVRFA or the Swap Counterparty upon the early termination of a Swap Agreement.

"**Three Month LIBOR Rate**" means the rate for deposits in U.S. dollars with a three-month maturity that appears on Telerate Page 3750 (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 LIBOR Rate Determination Date, except that, if such rate does not appear on such page on the LIBOR Rate Determination Date, the Three Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity commencing on the related Interest Accrual Date (in a principal amount that is representative for a single transaction in the relevant market at such time) are offered at approximately 11:00 A.M., London time, on the LIBOR Rate Determination Date, to prime banks in the London interbank market by four major banks in the London interbank market (hereinafter referred to as the "Reference Banks") selected by a market agent appointed by the Administrator to identify such Reference Banks (herein referred to as the "Market Agent"). The Market Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Market Agent, at approximately 11:00 A.M., New York City time, on the LIBOR Rate Determination Date for loans in U.S. dollars to leading European banks (in a principal amount that is representative for a single transaction in the relevant market at such time) having a three-month maturity and commencing on the related LIBOR-Based Interest Accrual Date.

"Variable Rate Loan" means Loans which bear interest at a variable rate, as calculated by the Administrator.

"**Weekly Interest Rate**" means a variable interest rate borne by the 2007 B Bonds or 2007 C Bonds, as applicable, and established in accordance with the Indenture.

"**Weekly Interest Rate Period**" means each period with respect to any 2007 B Bonds or 2007 C Bonds during which a Weekly Interest Rate is in effect, initially for the 2007 B Bonds, the period beginning on and including the first Business Day of the month (except the first period shall begin on the date of issuance) and ending on, and including, the day before the first Business Day of the next succeeding month.

"Yield Reduction Payment" or "Yield Reduction Amount" means any amount paid to the United States to reduce the yield on Investment Property (as defined in the *Code*) for yield restriction purposes pursuant to Treas. Reg. § 1.148-5(c).

THE 2007 BONDS

PLAN OF FINANCE

The 2007 Bonds are being issued to (i) provide funds to originate or to acquire loans from Local Government Units or other political subdivisions that are guaranteed by a Local Government Unit (each, a "2007 Series Participant"), (ii) redeem a portion of the DVRFA's $70,000,000 Local Government Revenue Bonds, 1997 Series A (the "1997 A Bonds"), (iii) fund a Debt Service Reserve Fund, and (iv) pay costs related to the issuance of the 2007 Bonds. See "THE 2007 BONDS - ESTIMATED SOURCES AND USES OF FUNDS."

The 2007 Bonds will be the first Series of Bonds issued under and secured by the Master Indenture. The 2007 Bonds and all other Bonds issued under the Master Indenture (collectively, the "Bonds") will be secured on a parity basis by the Trust Estate, except to the extent otherwise provided in a Supplemental Indenture authorizing the issuance of a Series of Bonds.

Each Participant that receives a Loan shall enter into a loan agreement (a "Loan Agreement") and shall execute a promissory note (the "Participant Note" or "Note") in favor of the DVRFA evidencing its obligation to repay the Loan. The DVRFA believes that the program to originate Loans to Participants will help meet its programmatic objectives. See "THE DVRFA - PROGRAMMATIC OBJECTIVES" for more discussion.

The 1997 A Bonds are subject to mandatory tender and remarketing on July 1, 2007. DVRFA has determined that redeeming the 1997 A Bonds would be more cost efficient and beneficial to its Loan Program than remarketing the 1997 A Bonds. The trustee for the 1997 A Bonds (the "1997 Bonds Trustee") will use the proceeds transferred from the 2007 Bonds, together with other available funds held by the 1997 Bonds Trustee, to purchase and cancel all outstanding principal of the 1997 A Bonds. The 1997 Bonds Trustee will transfer Loan Agreements and Participant Notes to the Trust Estate in an aggregate amount equal to the proceeds transferred from the 2007 Bonds.

The DVRFA will issue the 2007 Bonds in three different interest rate modes to reduce its costs of funds and to manage its exposure to future changes in interest rates. The 2007 A Bonds will be issued bearing a Fixed Interest Rate, the 2007 B Bonds will be issued initially bearing interest at a Weekly Interest Rate, and the 2007 C Bonds will be issued initially bearing interest at a LIBOR-Based Interest Rate.

The 2007 B Bonds initially bearing interest at a Weekly Interest Rate, at the option of DVRFA, may be converted to bear interest at a Fixed Interest Rate or LIBOR-Based Interest Rate. The 2007 C Bonds initially bearing interest at a LIBOR-Based Interest Rate may be converted to bear interest at a Weekly Interest Rate or a Fixed Interest Rate. See "THE 2007 BONDS – INTEREST ON THE 2007 BONDS."

The payment of principal, purchase price, and redemption price of and interest on the 2007 B Bonds, while the 2007 B Bonds bear interest at a Weekly Interest Rate, will be secured by an irrevocable, direct-draw Letter of Credit issued by Bayerische Landesbank, acting through its New York Branch. See "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."

The DVRFA expects to enter into one or more Swap Agreements with Citibank, N.A., New York as the Initial Swap Counterparty, simultaneously with the issuance of the 2007 Bonds (collectively, the "Initial Swap Agreement"). The Initial Swap Agreement treats as termination events, among others, the failure of DVRFA to meet certain Loan origination thresholds with the proceeds of Bonds, the failure of DVRFA to maintain the credit quality of the Loan Program under the Master Indenture and to meet certain threshold tests, and the extraordinary mandatory redemption of Bonds issued under the Master Indenture in excess of certain thresholds. See "SECURITY FOR THE 2007 BONDS – LOAN AGREEMENT AND PARTICIPANT NOTE – Participant Credit Enhancement and Ratings of Participants" and "INTEREST RATE SWAP AGREEMENTS."

ESTIMATED SOURCES AND USES OF FUNDS

The Estimated Sources and Uses of Funds for the 2007 Bonds are set forth below.

Estimated Sources and Uses of Funds

Sources of Funds	
Par Amount of Bonds	$ 160,000,000.00
Original Issue Premium	1,365,600.00
Equity Contribution of the DVRFA (1)	100,000.00
Total Sources	$ 161,465,600.00
Uses of Funds	
Deposit to the Acquisition Fund	$ 81,154,000.00
Transfer to the 1997 A Bonds Trustee	62,896,000.00
Deposit to the Debt Service Reserve Fund (2)	16,000,000.00
Deposit to the Revenue Fund (1)	62,915.00
Costs of Issuance (3)	1,352,685.00
Total Uses	$ 161,465,600.00

(1) The DVRFA equity contribution will be used to pay a portion of the costs of issuance and to provide the initial liquidity in the Revenue Fund.

(2) Equal to the Reserve Requirement for the 2007 Bonds.

(3) Includes underwriters' discount, legal fees, consulting fees, rating fees, printing costs, initial credit facility fees, initial trustee fees and all other costs incurred to issue the 2007 Bonds.

INTEREST ON THE 2007 BONDS

The 2007 A Bonds shall bear interest at a Fixed Interest Rate from the Date of Issuance until their stated maturity or prior redemption, at the rates per annum, and mature in the amounts and on the dates as set forth on the inside cover of this Official Statement. The 2007 B Bonds shall initially bear interest at a Weekly Interest Rate from the Date of Issuance. The 2007 C Bonds shall initially bear interest at a LIBOR-Based Interest Rate from the Date of Issuance. The 2007 B Bonds and the 2007 C Bonds mature, respectively, in the amounts and on the dates as set forth on the inside cover of this Official Statement. The 2007 B Bonds, at the option of the DVRFA and subject to certain conditions, may be converted to bear interest at a LIBOR-Based Interest Rate or a Fixed Interest Rate. The 2007 C Bonds, at the option of the DVRFA and subject to certain conditions, may be converted to bear interest at a Weekly Interest Rate or a Fixed Interest Rate. No 2007 Bond shall bear interest in excess of the Maximum Rate, as set forth in the Indenture.

Fixed Interest Rate – 2007 B Bonds and 2007 C Bonds

During a Fixed Interest Rate Period with respect to all or a portion of the 2007 B Bonds or 2007 C Bonds, as applicable, the Fixed Interest Rate shall be determined by the Remarketing Agent on a Business Day no later than the Conversion Date. The Fixed Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent, as determined in consultation with the Administrator, which, if borne by the 2007 Bonds of the applicable Series, would enable the Remarketing Agent to sell all or a portion of such 2007 Bonds on the date and at the time of such determination at a price (without regard to accrued interest) which will result in the lowest net interest cost for the 2007 Bonds of such Series or will best enhance the programmatic objectives of the DVRFA. No 2007 Bonds shall bear interest at a Fixed Interest Rate in excess of the Maximum Rate.

Weekly Interest Rate

During each Weekly Interest Rate Period with respect to the 2007 B Bonds or 2007 C Bonds, as applicable, the Weekly Interest Rate shall be determined by the Remarketing Agent by no later than 10:00 A.M., New York City time, on Wednesday of each week. The first Weekly Interest Rate for a Weekly Interest Rate Period shall be determined on or prior to the Date of Issuance or the Conversion Date, as applicable, and the first day of the first Weekly Interest Rate Period shall begin on the Date of Issuance or the Conversion Date, as applicable, and end on the next succeeding Tuesday (whether or not a Business Day). Thereafter, each Weekly Interest Rate shall apply to the period commencing on the Wednesday on or after the date of determination thereof (whether or not a Business Day) and ending on the next succeeding Tuesday (whether or not a Business Day), unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on the Wednesday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by all or a portion of the Bonds of such Series, would enable the Remarketing Agent to sell all or a portion of such Series of Bonds on the Conversion Date and at the time of such determination at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110% of the Municipal Swap Index on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period. No 2007 Bonds shall bear interest at a Weekly Interest Rate in excess of the Maximum Rate.

LIBOR-Based Interest Rate

During each LIBOR-Based Interest Rate Period with respect to all or a portion of the 2007 B Bonds or 2007 C Bonds, as applicable, the LIBOR-Based Interest Rate shall be determined by the Trustee on a date that is two London Banking Days preceding the first day of each LIBOR-Based Interest Accrual Period (each a "LIBOR Rate Determination Date"). The first LIBOR-Based Interest Rate for each LIBOR-Based Interest Rate Period shall apply to the period commencing on the first day of such LIBOR-Based Interest Rate Period and ending on the day immediately prior to the first Interest Payment Date and thereafter, each LIBOR-Based Interest Rate shall apply to the period commencing on and including an Interest Accrual Date to but not including the following Interest Payment Date (each a "LIBOR-Based Interest Accrual Period"). The LIBOR-Based Interest Rate shall be the rate of interest per annum determined by the Trustee on a LIBOR Rate Determination Date to be the sum of (a) 67% of the Three Month LIBOR Rate (or, (x) in the case where the first LIBOR-Based Interest Accrual Period is less than 3 months but greater than one month, the linear interpolation between similarly determined One and Three Month LIBOR Rates and (y) in the case where the first LIBOR-Based Interest Accrual Period is greater than 3 months but less than 4 months, the linear interpolation between similarly determined Three and Six Month LIBOR Rates) and (b) the spread shown on the inside cover page hereof in respect of the 2007 C Bonds, or as determined on the Conversion Date of the applicable 2007 B Bonds or 2007 C Bonds. No 2007 Bonds shall bear interest at a LIBOR-Based Interest Rate in excess of the Maximum Rate.

As soon as possible after 11:00 A.M. (New York time) on each LIBOR Rate Determination Date, but in no event later than 11:00 A.M. (New York time) on the Business Day immediately following each LIBOR Rate Determination Date, the Trustee will notify the DVRFA and the Holders of the LIBOR-Based Interest Rate for the next LIBOR-Based Interest Accrual Period.

Notices of Conversion

DVRFA, by written direction to the Trustee, the Tender Agent, the Credit Facility Provider (if any) and the Remarketing Agent, may elect to convert all or a portion of the 2007 B Bonds or 2007 C Bonds, as applicable, to a different Interest Rate (a "Conversion"). Such direction of the DVRFA shall include (i) the proposed date of Conversion (the "Conversion Date"), which date shall be a Business Day not earlier than the thirtieth (30^{th}) day following the second Business Day after receipt by the Trustee of such direction (ii) the date of delivery for such Bonds to be purchased on the Conversion Date and the amount of such 2007 B Bonds or 2007 C Bonds to be converted on the Conversion Date; (iii) a letter of Bond Counsel that it expects to be able to give a Favorable Opinion of Bond Counsel on the Conversion Date; and (iv) a form of the notice to be mailed by the Trustee to the Bondholders of such Series.

The Trustee shall, following written direction from DVRFA, give notice by first-class mail of a Conversion to a Fixed Interest Rate, Weekly Interest Rate, or LIBOR-Based Interest Rate Period for all or a portion of the 2007 B Bonds or 2007 C Bonds, as applicable, not less than thirty (30) days prior to the proposed Conversion Date. Such notice shall state: (i) that the interest rate on the Bonds of such Series, or portions thereof, will be converted unless a Favorable Opinion of Bond Counsel as to such Conversion is not delivered; (ii) the proposed Conversion Date; and (iii) that the 2007 B Bonds or 2007 C Bonds, or portions thereof, as applicable (excluding those 2007 Bonds bearing interest at a LIBOR-Based Interest Rate), are subject to mandatory tender for purchase on such proposed effective date, regardless of whether any or all conditions to the Conversion are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such Bonds. If less than all of the 2007 B Bonds or 2007 C Bonds are subject to Conversion, the Trustee shall select by lot the applicable 2007 B Bonds or 2007 C Bonds to be converted. The 2007 B Bonds or 2007 C Bonds not so converted shall continue to bear interest at the Weekly Interest Rate, LIBOR-Based Interest Rate, or Fixed Interest Rate, as applicable.

The DVRFA shall have the right to deliver to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Credit Facility Provider (if any) on or prior to 10:00 A.M., New York City time, on the second Business Day preceding any Conversion Date a notice to the effect that the DVRFA elects to rescind its election to make such Conversion. If the DVRFA rescinds its election to make such Conversion, then the Interest Rate Period shall not be converted and the 2007 Bonds of such Series shall continue to bear interest at the Weekly Interest Rate, LIBOR-Based Interest Rate or Fixed Interest Rate, as the case may be, as in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the Holders of such Series and the DVRFA rescinds its election to make such Conversion, then the 2007 B Bonds or 2007 C Bonds, as applicable, except those bearing interest at a LIBOR-Based Interest Rate, shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion.

No Conversion from one Interest Rate Period to another shall take effect unless each of the following conditions, to the extent applicable, shall have been satisfied:

i) The Trustee, the Remarketing Agent (if any) and the DVRFA shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion.

ii) In the case of any Conversion with respect to which no Credit Facility is in effect to provide funds for the purchase of 2007 B Bonds or 2007 C Bonds, as applicable, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Bonds of such Series subject to the Conversion, without drawing on the then existing Credit Facility, at the Purchase Price (unless the DVRFA, in its sole discretion, elects to transfer to the Tender Agent the amount of such deficiency on or before the Conversion Date).

If any condition to the Conversion of the 2007 B Bonds or 2007 C Bonds, or portions thereof, as applicable, shall not have been satisfied, then the Interest Rate Period shall not be converted and the 2007 Bonds of such Series shall continue to bear interest at the Weekly Interest Rate, Fixed Interest Rate or LIBOR-Based Interest Rate, as the case may be, as in effect immediately prior to such proposed Conversion and the 2007 Bonds of such Series, excluding those 2007 Bonds bearing interest at a LIBOR-Based Interest Rate, which shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion.

REDEMPTION

Optional Redemption

The 2007 A Bonds are not subject to optional redemption prior to maturity.

While the 2007 B Bonds or 2007 C Bonds, as applicable, bear interest at a Weekly Interest Rate, such 2007 Bonds are subject to redemption prior to their stated maturity, at the option of the DVRFA, in whole or in part (in such amounts as may be specified by the DVRFA), on any date at a Redemption Price equal to 100% of the principal amount thereof called for redemption, plus accrued interest to the date fixed for redemption, without premium.

While the 2007 B Bonds or 2007 C Bonds, as applicable, bear interest at a Fixed Interest Rate, such 2007 Bonds are not subject to optional redemption prior to the expiration of the applicable Fixed Interest Rate Period.

While the 2007 B Bonds or the 2007 C Bonds, as applicable, bear interest at a LIBOR-Based Interest Rate, such 2007 Bonds are subject to optional redemption prior to their respective stated maturities, at the option of the DVRFA in whole or in part, in such amounts as may be specified by the DVRFA (i) on any date prior to June 1, 2017 for the 2007 C Bonds initially bearing interest at a LIBOR-Based Interest Rate or on any date prior to the tenth anniversary of the conversion of 2007 Bonds to a LIBOR-Based Interest Rate (the "Par Call Date"), at a Redemption Price equal to the Spread Premium for such 2007 Bonds and (ii) on any date on or after the Par Call Date, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest (if any) to the date fixed for redemption.

For purposes of this provision, the "Spread Premium" shall be calculated as follows:

i) A hypothetical cash flow schedule shall be calculated by assuming that principal of the 2007 B Bonds or 2007 C Bonds, as applicable, called for redemption would be payable on the Par Call Date and that interest on such 2007 B Bonds or 2007 C Bonds, as applicable, would be payable quarterly on each March 1, June 1, September 1 and December 1 until, and including, the Par Call Date (each a "Quarterly Payment Date") at a rate per annum equal to the sum of (a) 67% of the USD-ISDA-Swap Rate plus (b) the spread above the percentage of the Three-Month LIBOR Rate at which such 2007 B Bonds or 2007 C Bonds, as applicable, bear interest.

ii) Each principal and interest payment in the hypothetical cash flow schedule determined in accordance with the preceding paragraph shall be discounted as of each Quarterly Payment Date to the Redemption Date at a discount rate equal to the sum of (a) 67% of the USD-ISDA-Swap Rate plus (b) 0.25% per annum.

iii) The sum of the present values of such principal and interest payments as of the Redemption Date determined pursuant to the preceding paragraph shall be the Spread Premium.

Extraordinary Mandatory Redemption

The 2007 Bonds are subject to Extraordinary Mandatory Redemption prior to maturity, in whole or in part, as applicable, as follows:

i) In whole or in part, on (a) the date that the DVRFA determines the proceeds deposited in the Acquisition Fund are no longer reasonably expected to be required for the Loan Program or (b) June 28, 2010, from and to the extent any unloaned proceeds remain in the Acquisition Fund, unless the DVRFA receives a Favorable Opinion of Bond Counsel.

ii) In whole or in part, on (a) the date that the DVRFA determines the proceeds deposited in the Recycling Fund are no longer reasonably expected to be required for the Loan Program or (b) a period of one year following the receipt of each Loan Principal repayment, beginning on June 28, 2011, unless the DVRFA receives a Favorable Opinion of Bond Counsel.

iii) In whole or in part, on any date, if the DVRFA, as a result of direction received from Bond Counsel, is required to take remedial action so that interest on the 2007 Bonds shall remain excluded from gross income for federal income tax purposes, and in the amount determined to be necessary so that interest on the 2007 Bonds shall remain excluded from gross income for federal income tax purposes.

iv) In part, within 90 days following June 28, 2008, if the principal amount of Loans originated on or before June 28, 2008, is less than 30% of the net proceeds (the "Net Proceeds," the amount determined pursuant to § 149(f)(2)(c) of the *Code*, which includes earnings to any applicable calculation date) deposited in the Acquisition Fund, in an amount equal to the difference between 30% of Net Proceeds allocable to the amount deposited in the Acquisition Fund and the principal amount of the Loans originated.

v) In part, within 90 days following June 28, 2010, if the principal amount of Loans originated on or before June 28, 2010, is less than 95% of the Net Proceeds deposited to the Acquisition Fund, in an amount equal to the difference between 95% of the Net Proceeds allocable to the amount deposited in the Acquisition Fund and the principal amount of the Loans originated.

The occurrence of an Extraordinary Mandatory Redemption of the 2007 Bonds may result in early termination of one or more Swap Agreements requiring Termination Payments to be made by or to the DVRFA. Any Termination Payments received by the DVRFA would be applied to the Extraordinary Mandatory Redemption of the 2007 Bonds and any Termination Payments made by the DVRFA would be paid from moneys in the Discretionary Fund or from the Covenant Agreement.

The Extraordinary Mandatory Redemption provisions described in clauses (iv) and (v) under "Extraordinary Mandatory Redemption" above are intended, among other things, to satisfy requirements of the *Tax Increase Prevention and Reconciliation Act of 2005*, P.L. 109-222, May 17, 2006 ("TIPRA") by requiring redemption of 2007 Bonds in the designated amounts if actual Loans made are below specified levels. TIPRA also requires that on the date of issuance of the 2007 Bonds, (i) the DVRFA must reasonably expect to loan 30% of the Net Proceeds deposited to the Acquisition Fund to ultimate borrowers by the end of one year and 95% of the Net Proceeds deposited to the Acquisition Fund by the end of three years, and (ii) the DVRFA must have entered into written loan commitments identifying the ultimate potential borrowers of at least 30% of the Net Proceeds deposited to the Acquisition Fund.

The DVRFA has previously issued six series of bonds with a par amount in excess of $1.1 billion. The DVRFA has never redeemed any bonds due to an inability to originate loans. The DVRFA reasonably expects that sufficient loans will be originated with the proceeds of the 2007 Bonds and that it will have at the date of issuance of the 2007 Bonds sufficient written loan commitments to satisfy tax law requirements. See "TAX MATTERS" and "THE DVRFA - LOAN PROGRAMS." IF THE DVRFA FAILS TO ORIGINATE SUFFICIENT LOANS FROM THE NET PROCEEDS OF THE 2007 BONDS, THE DVRFA MAY BE REQUIRED TO REDEEM ALL OR A PORTION OF THE 2007 BONDS.

Extraordinary Mandatory Redemption Premium – Fixed Interest Rate Bonds

2007 A Bonds or, as applicable, 2007 B Bonds or 2007 C Bonds that bear interest at a Fixed Interest Rate, subject to extraordinary redemption prior to maturity shall be redeemed at redemption prices equal to (i) the greater of the Amortized Value (defined below), plus accrued interest and unpaid interest to the date of redemption, or (b) the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such Fixed Interest Rate Bonds to be redeemed from and including the date of redemption to the end of such Fixed Interest Rate Period, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (defined below) minus 0.25%.

"Amortized Value" shall mean the principal amount of the Fixed Interest Rate Bond being redeemed multiplied by the price of such Fixed Interest Rate Bond expressed as a percentage, calculated based on the industry standard method of calculating bond prices (as such industry standard prevails on the date of issuance or the date of remarketing of the Fixed Interest Rate Bonds), with a delivery date equal to the date of redemption, a maturity date equal to the stated Fixed Interest Rate Period and a yield equal to such Fixed Interest Rate Bond's original initial reoffering or remarketing yield, which in the case of certain dates, produces the amounts for all of the Fixed Interest Rate Bonds being redeemed subject to the "make-whole" provisions.

"Applicable Tax-Exempt Municipal Bond Rate" shall mean the "Comparable AAA General Obligations" yield curve rate for the Fixed Interest Rate Period as published by Municipal Market Data ("MMD") five business days prior to the date of redemption. If no such yield curve rate is established for the Fixed Interest Rate Period, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable Fixed Interest Rate Period will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight line basis. In calculating the Applicable Tax-Exempt Municipal Bond Rate, should MMD no longer publish the "Comparable AAA General Obligations" yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Consensus Scale yield curve rate for the Fixed Interest Rate Period. In the further event that Municipal Market Advisors no longer publishes the Consensus Scale, the Applicable Tax-Exempt Municipal Bond Rate will be determined by Citigroup Global Markets Inc. (as quotation agent) or such entity into which Citigroup Global Markets Inc. shall be merged or, if Citigroup Global Markets Inc. is unwilling or unable to select the Municipal Yield Index Provider, an independent investment banking firm of national standing selected by the Administrator or the DVRFA, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds if rated in the highest rating category by Moody's and S&P, with a maturity date equal to the Fixed Interest Rate Period of such 2007 Bonds (or if there are no tax-exempt general obligation bonds with a maturity date equal to the Fixed Interest Rate Period of the 2007 Bonds, the stated maturity of tax-exempt general obligation bonds which mature as close to but not later than such Fixed Interest Rate Period) having characteristics (other than the ratings) most comparable to those of such 2007 Bonds, in the judgment of the quotation agent.

Notice of Redemption

Notice of redemption of any 2007 Bonds shall be given not more than 30 days and not less than 15 days prior to the redemption date, by mailing copies of such notice of redemption by first class mail, postage prepaid, to all holders of the 2007 Bonds to be redeemed at their registered addresses, but failure to mail any such notice or defect in the mailing thereof in respect of any 2007 Bond shall not affect the validity of the redemption of any other 2007 Bond with respect to which notice was properly given. So long as DTC, or its nominee, is the sole registered owner of the 2007 Bonds under the book-entry-only system, redemption notices will be sent to Cede & Co.

In the event that any 2007 Bonds are called for redemption and the amounts required for payment of the redemption prices thereof are not on deposit with the Trustee on the date set for redemption, the Trustee shall notify the registered owners of such 2007 Bonds that such redemption has been rescinded, and shall return any 2007 Bonds surrendered for redemption to the registered owners thereof, and the DVRFA, the Trustee and the registered owners shall be restored to their prior position.

Selection of 2007 Bonds to Be Redeemed

Whenever provision is made for the redemption of less than all of the 2007 Bonds of any Series or any portion thereof, the Trustee shall select the 2007 Bonds of such Series to be redeemed, from all 2007 Bonds of such Series subject to redemption or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, however, that 2007 Bonds shall be redeemed in the following order of priority (and by lot within each priority):

(i) Any Series of 2007 Bonds which are Credit Facility Bonds and
(ii) Any other 2007 Bonds of any Series.

PURCHASE OF BONDS UPON TENDER

Optional Tender

During any Weekly Interest Rate Period for the 2007 B Bonds or 2007 C Bonds, any Eligible Bond of such Series shall be purchased from its Holder at the option of the Holder on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Payment Date in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its corporate trust office for delivery of notices and to the Remarketing Agent of an irrevocable written notice which states the name and Series designation of the 2007 Bond, the principal amount and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 P.M., New York City time, shall be deemed to have been received on the next succeeding Business Day. For payment of such Purchase Price on the date specified in such notice, such 2007 Bond must be delivered, at or prior to 10:00 A.M., New York City time, on the date specified in such notice, to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of The New York Stock Exchange.

Mandatory Tender

Eligible Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period with respect to such Bonds, or on the day which would have been the first day of an Interest Rate Period for such Bonds had one of the events not occurred which resulted in the interest rate not being converted, at the Purchase Price, payable in immediately available funds. The Purchase Price of any Eligible Bond so purchased shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of The New York Stock Exchange at or prior to 10:00 A.M., New York City time, on the date specified for such delivery in this paragraph or in the notice of conversion.

The 2007 B Bonds or 2007 C Bonds bearing interest at a Weekly Interest Rate shall be subject to mandatory tender for purchase not less than one Business Day prior to the Expiration Date for any Credit Facility applicable to such Series and on the date of delivery of a Replacement Credit Facility (on the dates and upon notice to Holders), at the Purchase Price, payable in immediately available funds. The Purchase Price of any 2007 Bond so purchased shall be payable only upon surrender of such 2007 Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of The New York Stock Exchange, at or prior to 10:00 A.M., New York City time, on the date specified for such delivery in a notice provided to the Holders by the Trustee. Upon the Expiration Date for any Credit Facility or upon delivery of a Replacement Credit Facility, the Trustee shall deliver written notice thereof to S&P and Moody's.

THE 2007 BONDS BEARING INTEREST AT THE LIBOR-BASED INTEREST RATE ARE NOT SUBJECT TO OPTIONAL OR MANDATORY TENDER.

Sources of Payment

In all cases of optional or mandatory tender for purchase, the Trustee is required to purchase, but only from the funds listed below, 2007 Bonds purchased or deemed purchased at a price equal to 100% of the principal amount thereof plus accrued interest, if any (the "Purchase Price"). Funds for the payment of such purchase price shall be derived solely from the following sources in the order of priority indicated:

(i) proceeds of the remarketing of such 2007 Bonds by the Remarketing Agent;

(ii) moneys provided to the Trustee pursuant to the Letter of Credit ; and

(iii) other available funds of the DVRFA, as defined in the Indenture, that will not constitute an avoidable transfer under state or federal insolvency laws.

Special Considerations Relating to the Weekly Interest Bonds

The Remarketing Agent is Paid by the DVRFA. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the DVRFA and is paid by the DVRFA for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may routinely purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there 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 or mandatory 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 on 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 result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, 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. In the event the Remarketing Agent owns any Series 2007 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2007 Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, 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.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Indenture.

SECURITY FOR THE 2007 BONDS

THE INDENTURE

The 2007 Bonds are issued under and secured by the Master Indenture and the First Supplemental Indenture. The Master Indenture contemplates, and the DVRFA expects, the issuance of additional Series of Bonds in the future. DVRFA expects all future Series of Bonds will be issued under the Master Indenture and will be secured equally and ratably with the 2007 Bonds in the Trust Estate, unless otherwise provided for in the supplemental indenture authorizing and securing such future Series of Bonds. The Trust Estate includes, for all Series of Bonds issued under the Master Indenture:

- i) the Revenues, the Participant Notes, the Loan Agreements (other than the rights of the DVRFA to indemnification or payment of expenses under the Loan Agreements),
- ii) all right, title and interest of the DVRFA in and under the Swap Agreements and the Swap Receipts (other than the rights of the DVRFA to indemnification or payment of expenses under the Swap Agreements),
- iii) all right, title and interest of the DVRFA under the Investment Agreements (other than the DVRFA's rights to indemnification or payment of expenses under the Investment Agreements),
- iv) the right, title and interest of the DVRFA in the Participant Credit Enhancement,
- v) all moneys and securities (including investment income therefrom) and all other property of every kind and of every name and nature which are now or from time to time hereafter, pledged, assigned or transferred as security to the Trustee under the Indenture by the DVRFA or by anyone on its behalf, and all cash and securities now or hereafter held in the Funds under the Indenture (excluding the Revenue Fund and the Discretionary Fund to the extent of Excess Funds as provided in the Covenant Agreement), and
- vi) all right, title and interest of the DVRFA in all Credit Facilities.

Any amounts credited to the Rebate Fund and the Discretionary Fund to the extent provided in the Covenant Agreement shall be free and clear of any lien under the Indenture.

Under the Indenture, the principal, purchase price, and redemption price of and interest on, the 2007 Bonds and the periodic scheduled payments to be made by the DVRFA pursuant to Swap Agreements entered into by the DVRFA with respect to the 2007 Bonds, but not Termination Payments, are equally and ratably secured by the Trust Estate. Termination Payments due from the DVRFA under Swap Agreements are payable only from the Discretionary Fund, and Termination Payments are subject and subordinate to payment of the principal and redemption price of and interest due and owing on the 2007 Bonds and the Swap Payments due and owing under any Swap Agreement.

Funds and Accounts

The proceeds of the 2007 Bonds will be deposited into the funds and accounts as set forth in the financing plan. See "THE 2007 BONDS – ESTIMATED SOURCES AND USES OF FUNDS." The Indenture creates the following Funds and Accounts:

- i) Revenue Fund and within the Revenue Fund, a Principal Account, an Interest Account, and a Program Administration Account;
- ii) Acquisition Fund;
- iii) the Recycling Fund and within the Recycling Fund, a New Money Loan Principal Account and a Refunding Loan Principal Account;
- iv) Redemption Fund;
- v) Rebate Fund;
- vi) Discretionary Fund;
- vii) Debt Service Reserve Fund; and
- viii) Costs of Issuance Fund.

The Indenture authorizes the Trustee to create additional accounts and subaccounts in the Funds at the direction of the Administrator in order to segregate moneys or to accomplish any other administrative purpose and to comply with the provisions of any Supplemental Indenture authorizing issuance of a series of Bonds.

Acquisition Fund and Recycling Fund

The Indenture provides that all Loans will be initially originated from the Acquisition Fund. When Loans are amortized or repaid, the repayments of Loan Principal on Loans for new money projects will be deposited into the New Money Loan Principal Account of the Recycling Fund and the repayments of Loan Principal on Loans which constitute refundings will be deposited in the Refunding Loan Principal Account of the Recycling Fund. When the Acquisition Fund is depleted, the Recycling Fund will be used to originate Loans. The DVRFA is required to obtain a Favorable Opinion of Bond Counsel prior to making Loans.

Revenue Fund

The Indenture requires the following to be deposited into the Revenue Fund, as and when received:

i) all Repayments and Termination Charges received from Participants, Guarantors, and Participant Credit Enhancers;
ii) all Swap Receipts and Termination Payments received from a Swap Counterparty;
iii) all earnings on Funds invested under the Indenture;
iv) moneys transferred from other Funds under the Indenture;
v) moneys received in connection with a Participant Default and the exercise of remedies under a Loan Agreement or Guarantee;
vi) all moneys contributed by DVRFA and all moneys transferred pursuant to the Covenant Agreement at the direction of the Administrator;
vii) to the extent and as provided in a Supplemental Indenture, moneys representing a draw on any Credit Facility to make payment of the principal of and interest on any Series of Bonds for which a Credit Facility has been provided, deposited in a separate account and not commingled with any other funds.

The Indenture requires that moneys in the Revenue Fund shall be used for the following payments and transfers on the following dates and in the following order of priority; provided, however, that draws on any Credit Facility to pay principal of or interest on a Series of Bonds shall be paid directly to the Bondholders or as provided in a Supplemental Indenture:

i) on each Interest Payment Date and each Swap Payment Date that is also an Interest Payment Date, to pay interest on the Bonds or, if interest on the Bonds has been paid from a draw on a Credit Facility, to reimburse the Credit Facility Provider, and to pay any Swap Payments due under any Swap Agreements;
ii) on each Swap Payment Date that is not an Interest Payment Date, to make the Swap Payments due under any Swap Agreements;
iii) on each Principal Payment Date, to pay the principal due on the Bonds or, if the principal due on the Bonds has been paid from a draw on a Credit Facility, to reimburse the Credit Facility Provider;
iv) on each Loan Payment Date and Loan Prepayment Date, to the Recycling Fund (and the applicable sub-account thereof), Repayments (from whomever paid) constituting Loan Principal on Participant Notes pursuant to the Loan Agreements;
v) on each Loan Payment Date and Loan Prepayment Date, to the Discretionary Fund, Termination Charges received;
vi) as necessary, to pay Administrative Expenses;
vii) as necessary, to the Debt Service Reserve Fund, to the extent required to replenish any deficiency therein;
viii) if the DVRFA shall have received notice of an early termination under any Swap Agreement and notice that a Termination Payment will be due to a Swap Counterparty, the Administrator shall direct the Trustee to transfer to the Discretionary Fund, if necessary, an amount sufficient to make the Termination Payment; and
ix) from time to time, to the Discretionary Fund in such amounts as may be directed by the Administrator.

Redemption Fund

Funds will be transferred to the Redemption Fund from the Acquisition Fund or the Recycling Fund in the event that an Optional Redemption or an Extraordinary Mandatory Redemption is triggered because (i) the proceeds are no longer required for the Loan Program or (ii) redemption of 2007 Bonds is necessary to comply with the provisions of the *Code*.

Rebate Fund

A rebate analyst (the "Rebate Analyst"), initially, the Administrator, will calculate the amount necessary to be deposited in the Rebate Fund to make rebate payments and/or yield reduction payments to the United States, pursuant to Section 148 of the *Code* not later than 60 days after each fifth bond year for the 2007 Bonds and not later than 60 days after the payment in full of all outstanding 2007 Bonds. Each Participant will be notified of the amount required to be deposited in the Rebate Fund applicable to each Loan and the amount then on deposit in the Rebate Fund applicable to such Loan, and each Participant will be required to pay any deficiency to the Trustee. If such amount is not paid within five days after receipt of such notice by a Participant, the Administrator shall direct the Trustee to immediately transfer to the Rebate Fund that amount, first from the Discretionary Fund, second from the Acquisition Fund, and third from the Recycling Fund, to the extent of moneys available therein. Rebate amounts and/or yield reduction amounts with respect to amounts not loaned or otherwise attributable to Participants will also be transferred from the foregoing funds, to the extent available. Amounts credited to the Rebate Fund will be free and clear of any lien under the Indenture.

Discretionary Fund

Termination Payments received from a Swap Counterparty pursuant to a Swap Agreement, Termination Charges received from a Participant, Guarantor, or Participant Credit Enhancer pursuant to a Loan Agreement, and amounts received pursuant to the Covenant Agreement for a Termination Payment to a Swap Counterparty, shall be deposited in the Discretionary Fund. Termination Payments shall be subject and subordinate to payments of interest, principal or redemption price of Bonds then due and owing and to Swap Payments then due and owing. Amounts in the Discretionary Fund shall be applied to the following:

- i) Transfers to the Revenue Fund to pay interest, principal, or redemption prices on Bonds then due (or to reimburse the provider of a Credit Facility which secures a Series of Bonds and which has made a payment thereon) and to make Swap Payments when other moneys available to the Trustee are insufficient;
- ii) Termination Payments then due to Swap Counterparties;
- iii) Deposits to the Rebate Fund or Extraordinary Payments;
- iv) Transfers to the Revenue Fund to pay any Administrative Expenses when other moneys available to the Trustee are insufficient;
- v) Transfers to the Revenue Fund to pay the costs or expenses related to origination of any Loan or issuance of any Participant Note;
- vi) Transfers to make a payment under the Covenant Agreement at the direction of the Administrator, provided (A) that a Termination Payment is not then due and owing and (B) that the payment will not cause the total liabilities to exceed the total assets under the Indenture; and
- vii) Transfers to the DVRFA, provided (A) that a Favorable Opinion of Bond Counsel is given, (B) that no Termination Payment is then due and owing, and (C) that the payment will not cause the total liabilities to exceed the total assets under the Indenture.

Debt Service Reserve Fund

A portion of the proceeds of the 2007 Bonds will be deposited into a Debt Service Reserve Fund. When, and only when, sufficient funds are not available for such purposes in the Revenue Fund or Discretionary Fund, moneys in the Debt Service Reserve Fund shall be applied (i) to make payments of principal and interest on all Bonds issued pursuant to the Master Indenture, (ii) to reimburse any Credit Facility Provider for payments of principal and interest on all Bonds issued pursuant to the Master Indenture and secured by a Credit Facility, and (iii) to make Swap Payments related to all Bonds issued pursuant to the Master Indenture. Earnings on the Debt Service Reserve Fund are to be retained in that fund to the extent necessary for the fund to equal the Reserve Requirement, and thereafter such earnings are to be transferred to the Revenue Fund. The Reserve Requirement is the aggregate amount required to be deposited in the Debt Service Reserve Fund as set forth in each supplemental indenture authorizing each series of Bonds. The initial Reserve Requirement is $16,000,000, an amount equal to 10% of the principal amount of the 2007 Bonds.

Costs of Issuance Fund

Moneys deposited in the Cost of Issuance Fund shall be used to pay the costs of issuing the 2007 Bonds. The costs of issuance will be paid upon the submission of a closing statement or requisitions to the Trustee by an Authorized Officer of the DVRFA. Moneys in the Cost of Issuance Fund shall be invested in the Investment Agreement and all earnings on moneys in the Cost of Issuance Fund shall be credited to the Revenue Fund as received. Any funds remaining in the Cost of Issuance Fund more than 180 days following the issuance of the 2007 Bonds shall be transferred to the Acquisition Fund.

Special Limited Obligations

THE 2007 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE DVRFA. NEITHER THE PRINCIPAL OR REDEMPTION PRICE OF THE 2007 BONDS, NOR THE INTEREST ACCRUING THEREON, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE DVRFA, THE COMMONWEALTH OF PENNSYLVANIA, THE COUNTIES OF BUCKS, CHESTER, DELAWARE, OR MONTGOMERY, OR ANY POLITICAL SUBDIVISION THEREOF. THE DVRFA HAS NO TAXING POWER.

LOAN AGREEMENT AND PARTICIPANT NOTE

The 2007 Bonds are secured by the Trust Estate which includes, among other things, the assignment of each Loan Agreement and Participant Note. The Participant's obligations for Repayments and Termination Charges under the Loan Agreement are guaranteed by the Participant or its Guarantor, if applicable. The Participant's obligation to repay principal (the "Loan Principal") and interest (the "Participant Interest") on the Participant Note is secured by the full faith, credit and taxing power of the Participant or its Guarantor, if applicable. Such obligations are payable from the revenues of the Participant or its Guarantor, if applicable, from whatever source derived, which revenues at the time of issuance of the 2007 Bonds include ad valorem taxes within limits provided by applicable law, levied upon all the taxable property within the boundaries of the Participant or Guarantor, if applicable. School districts no longer have unlimited power to increase ad valorem taxes or levy additional taxes. See "TAXING POWERS OF LOCAL GOVERNMENT UNITS." The issuance of each Participant Note will not occur until the Department of Community and Economic Development of the Commonwealth, pursuant to the *Debt Act,* has approved the debt evidenced by the Loan Agreement and Note or the Guaranty, as applicable. Each Participant will receive the entire amount of its Loan upon the execution of its Loan Agreement and the issuance of its Participant Note.

Repayments

The schedule of Loan Principal payments due on each Loan is set forth in each Participant Note. The Indenture and each Loan Agreement provide that the Administrator shall calculate the Participant Interest. For such purpose, the Administrator shall include (i) the payments of principal of and interest on the 2007 Bonds, (ii) receipts and payments under any Swap Agreements, and (iii) each Participant's allocable share of Administrative Expenses. As directed by the Administrator, the Trustee bills each Participant for the amounts of the Loan Principal and Participant Interest (collectively, the "Repayments") due. Under the Loan Agreement, the Repayments are secured by a pledge of the full faith, credit and taxing power of the Participant, or its Guarantor if applicable.

Participant Credit Enhancement and Ratings of Participants

The Initial Swap Agreement, which will be effective upon issuance of the 2007 Bonds, treats as a termination event the failure of DVRFA to meet a threshold (the "Loan Threshold") for all Loans outstanding under the Master Indenture. The Loan Threshold would be exceeded if the sum of the Loan Principal outstanding to (i) unrated Participants, (ii) Participants rated below "Baa1" from Moody's or "BBB+" from S&P, and (iii) unrated Participants or Participants rated below "Baa1" or "BBB+" secured by a Participant Credit Enhancer with ratings below "Aa3" by Moody's or "AA-" from S&P exceeds 20% of all Loan Principal outstanding under the Master Indenture. For purposes of the Loan Threshold, ratings refer to the ratings of the Participants' long-term, unsecured, unenhanced, senior debt, the ratings of Participants that are school districts that take into consideration the intercept provisions of the *Public School Code,* and ratings of claims paying abilities of Participant Credit Enhancers. See

"THE DVRFA – LOAN PROGRAMS" and "SECURITY FOR THE 2007 BONDS – LOAN AGREEMENT AND PARTICIPANT NOTE – Loan Agreements with School Districts." If the rating of a Participant is downgraded and causes the Loan Threshold to be exceeded, DVRFA would have 30 days to secure a Participant Credit Enhancer. If the rating of a Participant Credit Enhancer is downgraded and causes the Loan Threshold to be exceeded, DVRFA would have 30 days to secure a replacement Participant Credit Enhancer. The Swap Counterparty may, in its sole discretion, waive the termination event if the Loan Threshold is exceeded, and/or the Swap Counterparty may require DVRFA to post collateral to the Swap Counterparty in an amount and on terms satisfactory to the Swap Counterparty as a condition to waive the termination event. The Swap Counterparty is not required to agree to the posting of collateral by the DVRFA and, accordingly, the failure to meet the Loan Threshold requirement could result in a Termination Payment being payable as a result of a termination event having occurred under the Swap Agreement.

The Administrator will monitor the compliance with the Loan Threshold. DVRFA may, in its sole discretion, require Participants to secure Participant Credit Enhancement or to apply for a rating in order to insure that the Loan Threshold is not exceeded. Under the terms of the Indenture:

i) DVRFA shall not originate a Loan to a Participant with a rating below "A3" by Moody's or "A-" by S&P unless (A) the Loan is secured with a Participant Credit Enhancement, (B) the payment of principal of and interest on the Series of Bonds that funds the Loan is secured by a municipal bond insurance policy or financial guaranty insurance policy, or (C) the Rating Agencies confirm that the ratings on the Outstanding Bonds at that time would not be downgraded as a consequence of originating such Loan or Loans without Participant Credit Enhancement.

ii) DVRFA shall secure a Participant Credit Enhancement to secure any Loan to a Participant whose rating is downgraded below "A3" by Moody's and "A-" by S&P subsequent to the closing of the Loan unless the Rating Agencies confirm that the ratings on the Outstanding Bonds at that time would not be downgraded as a consequence of not securing the Participant Credit Enhancement.

iii) DVRFA shall secure a replacement Participant Credit Enhancement for any Loan secured by a Participant Credit Enhancer whose rating is downgraded below "Aa3" by Moody's and "AA-" by S&P subsequent to the closing of the Loan unless (A) the rating of the Participant is no longer below "A3" by Moody's or "A-" by S&P or (B) the Rating Agencies confirm that the ratings on the Outstanding Bonds at that time would not be downgraded as a consequence of not replacing the Participant Credit Enhancement.

The nature of the guaranty under a Participant Credit Enhancement may vary over time depending on market conditions, changes in the regulations or rating standards applied to Participant Credit Enhancers, and the financial circumstances of the Participant Credit Enhancers. Based upon the experience with the loan program of DVRFA's 2002 Bonds, DVRFA expect the Participant Credit Enhancers to guarantee:

i) the Loan Principal,

ii) the Participant Interest on a Variable Rate Loan not to exceed the Municipal Swap Index plus a spread,

iii) the Participant Interest on a Fixed Rate Loan not to exceed the fixed rate on the Swap Agreement entered into by DVRFA to provide the Fixed Rate Loan plus a spread, and

iv) Termination Charges if the Participant Credit Enhancer directs or consents to the termination of the portion of a Swap Agreement relating to the Loan.

The Participant Credit Enhancer would then have the right to direct enforcement of the remedies set forth in the Loan Agreement.

NO ASSURANCE CAN BE GIVEN THAT THE PAYMENT OBLIGATIONS OF THE PARTICIPANT CREDIT ENHANCER SHOWN ABOVE WILL NOT CHANGE DUE TO CHANGES IN THE MARKET FOR

CREDIT ENHANCEMENT OR THAT PARTICIPANT CREDIT ENHANCEMENTS WILL BE AVAILABLE FOR LOANS.

NO PARTICIPANT CREDIT ENHANCEMENT WILL GUARANTEE THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2007 BONDS.

Termination Charges

In the event that the DVRFA incurs a Termination Payment due to the early termination of a Swap Agreement, the Administrator may calculate and assess a Termination Charge equal to the Participant's allocable share of the Termination Payment, payable on the date directed by the Administrator. Under the Loan Agreement, the Participant has a contractual obligation to pay the Termination Charge, but the payment of the Termination Charge is not secured by the pledge of the full faith, credit and taxing power of the Participant or its Guarantor, if applicable. If funds to pay the Termination Charge are not available for appropriation in its current fiscal year budget, the Participant covenants in the Loan Agreement to include the Termination Charge in its budget in the next fiscal year. The *Debt Act* also permits a Participant to treat the Termination Charge as "unfunded debt" (as such term is defined in the *Debt Act*) and issue debt to fund payment of the Termination Charge.

Sinking Funds of the Participants

The *Debt Act* requires that each Local Government Unit create an account to deposit payments for any debt incurred under the *Debt Act*. This account, or sinking fund, shall be maintained by a bank, trust company, or a bank and trust company, appointed by the Local Government Unit, located and lawfully conducting business in Pennsylvania (a "Sinking Fund Depository"). The ordinance or resolution that authorizes the incurrence of a Loan by each 2007 Series Participant will appoint the Trustee as its Sinking Fund Depository. The Sinking Fund Depository shall transfer from the sinking funds of the 2007 Series Participants to the DVRFA's Revenue Fund the Repayments received from the 2007 Series Participants.

Remedies under the *Debt Act*

The *Debt Act* provides that if a Local Government Unit with general taxing powers fails or refuses to make adequate provision in its budget for any fiscal year for the sums payable in receipt of bonds in that year (which for such purpose includes payments of Loan Principal and Loan Interest under the Loan Agreement) (i) then at the suit of the holder of any bond, the Court of Common Pleas shall, after a hearing held upon such notice to the Local Government Unit as the Court may direct and a finding of such failure or neglect, by order of mandamus require the treasurer of the Local Government Unit to pay into the sinking fund the first tax moneys or other available revenues or moneys thereafter received in the fiscal year by the treasurer, equally and ratably for each series for which provision has not been made, in proportion to debt service for the year on each series then outstanding and (ii) further, if a Local Government Unit fails or neglects to pay such interest and principal as the same becomes due and payable and the failure continues for 30 days, the holder thereof may, subject to certain priorities set forth in the *Debt Act*, recover the amount due in an action in the court of common pleas and the judgment recovered shall have an appropriate priority upon the moneys next coming into the treasury of the Local Government Unit.

Under the *Debt Act*, if a Local Government Unit fails or refuses to budget for any fiscal year a periodic scheduled payment due in that year pursuant to the provisions of a qualified interest rate management agreement and payable from the general revenues of the Local Government Unit, the other party to the qualified interest rate management agreement may bring an enforcement action in a court of common pleas. After a hearing held upon notice to the Local Government Unit, if the court finds such a failure or refusal, the court may, by order of mandamus, require the treasurer of the Local Government Unit to pay to the other party out of the first tax money or other available revenue or money thereafter received in the fiscal year by the treasurer the periodic scheduled payments due pursuant to the provisions of the qualified interest rate management agreement (subject to the Debt Act priority for tax anticipation notes) and § 8281(c)(8) of the *Debt Act* (relating to qualified interest rate management agreements). In addition, if a Local Government Unit fails to pay any amount due under a qualified interest rate management agreement when it becomes due and payable, and such failure continues for 30 days, the other party to the qualified interest rate management agreement may bring an action in a court of common pleas to recover the amount due, subject to certain priorities set forth in the *Debt Act* and any limitations upon rights of action properly provided in the qualified interest rate management agreement.

Loan Agreements with School Districts

Under the provisions of § 6-633 of the *Public School Code*, if any school district fails to make its required debt service payments with respect to indebtedness (such as a school district's debt under the Participant Note and the Loan Agreement), the Secretary of Education of the Commonwealth shall notify the board of directors of its obligation and withhold from such school district, out of any Commonwealth appropriation due such school district by the Commonwealth, an amount equal to the debt service payments owed by such school district. These withholding provisions are not part of any contract with the DVRFA, or with the holders of the DVRFA's bonds, and future legislation may amend or repeal the provisions for the withholding of debt service payments. Other withholding provisions of the *Public School Code* (e.g., the provision for the withholding of unpaid teachers' salaries) may limit the effectiveness of the withholding provisions for debt service in § 6-633. The enforcement of § 6-633 may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally. No assurance can be given that any debt service payments subject to the Section 6-633 withholding provisions will be received on the date that the debt service payments are due.

Under the provisions of the *Debt Act*, if the board of directors of a school district fails to pay or provide for the payment of periodic scheduled payments, due pursuant to a qualified interest rate management agreement, the Secretary of Education of the Commonwealth (if the Secretary finds that the amount due and payable by the school district has not been paid) is required to withhold out of any state appropriation due the school district an amount equal to the amount so due and pay that amount over to the party to whom it is due. Under the *Debt Act*, a qualified interest rate management agreement is defined as an agreement entered into by a Local Government Unit fulfilling certain requirements and which, in the judgment of the Local Government Unit, is designed to manage interest rate risk or interest cost on any debt the Local Government Unit is authorized to incur under the *Debt Act*. Each Loan Agreement is intended to constitute a qualified interest rate management agreement with respect to Repayments, contains the provisions required by the *Debt Act*, and requires the Participant to take all steps necessary to qualify the Loan Agreement as such.

The *Debt Act*, as it applies to the general obligation debt of school districts, prescribes certain other remedies in the event of a failure to make timely debt service payments. If a school district fails to pay debt service on a general obligation debt for a period of 30 days from the date when payment becomes due and payable, the holder of that debt shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas in the county in which the school district is located. The *Debt Act* also provides that any judgment shall have an appropriate priority upon moneys next coming in to the treasury of the school district. The *Debt Act* further provides that upon default in the payment of principal and interest, which continues at least 30 days, holders of at least 25% of such defaulted debt may appoint a trustee to represent them. The *Debt Act* provides certain other remedies and further qualifies the remedies described above in "Remedies under the *Debt Act*."

All public school subsidies in the Commonwealth are subject to appropriation by the General Assembly. The Constitution of the Commonwealth provides that "…[t]he General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to service the needs of the Commonwealth…." However, the General Assembly is not legally obligated to appropriate such subsidies and no assurance can be given that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various school districts throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth's ability to make such disbursements depends upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in interim borrowing by school districts pending the authorization and payment of state aid. Consequently, no assurance can be given that financial support from the Commonwealth to school districts, for either capital projects or education programs in general, will continue at present levels or that moneys will be payable to a school district if indebtedness of such school districts is not paid when due. In addition, under the *Taxpayer Relief Act*, such school districts may not increase the rate of taxes levied for the support of schools above an inflation index in order to pay the interest and principal on debt without voter approval unless the tax has been approved by the voters in a referendum or one of the other limited exemptions to such voter approval is utilized. See "TAXING POWERS OF LOCAL GOVERNMENT UNITS - *TAXPAYER RELIEF ACT OF 2006*."

Participant Tax Compliance Agreement

The Indenture requires, as a condition of closing a Loan, that each Participant (and Guarantor, if applicable) enter into a written undertaking to comply with certain covenants (each a "Participant Tax Compliance Agreement"), which, based upon the advice of Bond Counsel, are believed to be sufficient in order that the interest on the 2007 Bonds remain excludible from the gross income of the holders thereof under the *Code*.

LETTER OF CREDIT

Bayerische Landesbank, acting through its New York Branch, will issue the Letter of Credit with respect to the 2007 B Bonds on June 28, 2007. The Letter of Credit will expire on June 28, 2017 (the "Stated Expiration Date"), unless replaced by another Credit Facility in accordance with the terms and conditions of the Indenture. The Letter of Credit will be issued in favor of the Trustee and will permit the Trustee to make drawings up to the principal, purchase price, or redemption price of and interest on the amounts therein specified. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT." Upon the expiration, replacement, or termination of the Letter of Credit, the 2007 B Bonds will be subject to mandatory tender for purchase as described in this Official Statement.

COVENANT AGREEMENT

The DVRFA approved a Covenant Agreement on April 9, 2001, which was amended and restated as of April 23, 2002, on April 12, 2004, and further amended and restated as of June 28, 2007. The Covenant Agreement defines Excess Funds as (i) amounts accumulated under the indentures of the 1985 Bonds, the 1986 Bonds, the 1997 Bonds, the 1998 Bonds and the 2002 Bonds which can be paid to and used by the Authority for any purpose and (ii) amounts in the Discretionary Fund under the Master Indenture which, as provided therein, can be used for the purposes set forth in the Covenant Agreement. Pursuant to the Covenant Agreement, Excess Funds may be paid to and used to (i) replenish any deficiency of the debt service reserve fund of any series of DVRFA bonds (including all Series of Bonds issued under the Master Indenture), that cannot be restored from the available funds of that series of DVRFA bonds or (ii) pay any debt service payments, reimbursements of Credit Facility Providers, Swap Payments, Administrative Expenses, and Termination Payments with respect to any series of DVRFA bonds that cannot be provided from the available funds of that series of DVRFA bonds (including any Series of Bonds issued under the Master Indenture). The Covenant Agreement shall automatically terminate when all the series of DVRFA bonds issued prior to the 2007 Bonds have matured or have been redeemed.

Under the Covenant Agreement, Excess Funds can only be used for the purposes enumerated above as long as any bonds of the DVRFA are outstanding. In the Covenant Agreement, the DVRFA also covenants that it will make loans from each series of bonds only to the extent that principal repayment of such loans scheduled to be made in accordance with the terms of each such loan, together with other available moneys, is sufficient to pay, when due, the principal on any bonds of such series. See "Appendix I: Financial Statements of the Delaware Valley Regional Finance Authority for the Year Ended December 31, 2006" and "Appendix II: Covenant Agreement."

Below are schedules of the trend of Excess Funds for the past five years for the DVRFA's loan programs and the Excess Funds by bond series in the most recent audit. Also shown on the schedules are the fair market values, as of December 31 of each year, of the DVRFA's interest rate swap agreements.

Trend of Excess Funds
for the Years Ended December 31

	2002	2003	2004	2005	2006
Assets					
Cash and cash equivalents	$ 85,327,996	$ 37,172,962	$ 42,334,454	$ 135,143,939	$ 97,743,983
Investments	-	-	-	-	-
Restricted cash and cash equivalents	111,927,750	111,927,750	111,927,750	111,927,750	111,927,750
Accrued interest receivable					
Loans	978,267	970,013	1,351,951	1,972,672	1,932,223
Interest rate swap	5,937,917	6,601,061	5,937,917	5,937,916	5,937,917
Investments	127,329	53,192	111,976	455,514	306,484
Finance charge receivable		148,270	261,237	286,840	193,650
Prepaid expenses	76,740	75,777	74,876	76,059	79,692
Loans to local governments	952,861,494	992,541,071	985,820,344	891,181,821	915,157,730
Total assets	1,157,237,493	1,149,490,096	1,147,820,505	1,146,982,511	1,133,279,429
Liabilities and Deductions					
Bonds payable	1,092,090,000	1,091,340,000	1,090,545,000	1,089,720,000	1,075,000,000
Accrued expenses	260,198	232,546	201,405	139,406	151,945
Accrued interest payable					
Interest rate swap	1,027,265	922,739	1,383,016	2,532,477	2,693,689
Bond issues	25,042,335	21,415,566	22,406,313	22,077,312	22,398,705
Estimated excess investment earnings	287,956	-	54,651	-	-
Total liabilities	1,118,707,754	1,113,910,851	1,114,590,385	1,114,469,195	1,100,244,339
Less unamortized bond premium used to over-collateralize loan program	28,159,000	26,475,715	24,301,434	22,127,154	19,952,873
Total liabilities and deductions	1,146,866,754	1,140,386,566	1,138,891,819	1,136,596,349	1,120,197,212
Excess Funds	$ 10,370,739	$ 9,103,530	$ 8,928,686	$ 10,386,162	$ 13,082,217
Fair market value of interest rate swaps	$ 53,147,092	$ 41,331,762	$ 55,656,671	$ 51,961,664	$ 61,841,903

Sources: Financial Statements for the Years Ended December 31, 2002, to December 31, 2006

Excess Funds by Bond Series
for the Year Ended December 31, 2006

	1985 Bonds	1986 Bonds	1997 Bonds	1998 Bonds	2002 Bonds	Total
Assets						
Cash and cash equivalents	$ 4,638,541	$ 6,686,513	$ 14,770,416	$ 41,686,079	$ 29,962,434	$ 97,743,983
Restricted cash and cash equivalents	24,468,750	11,500,000	14,000,000	30,000,000	31,959,000	111,927,750
Accrued interest receivable						
Loans	363,260	263,704	115,618	450,932	738,709	1,932,223
Interest rate swap				5,937,917		5,937,917
Investments	132,519	57,876	20,979	54,363	40,747	306,484
Finance charge receivable	29,684	22,948	11,840	48,539	80,639	193,650
Prepaid expenses	18,750	25,525	15,000	20,417		79,692
Loans to local governments	116,493,230	97,362,500	117,093,000	231,900,000	352,309,000	915,157,730
Total assets	146,144,734	115,919,066	146,026,853	310,098,247	415,090,529	1,133,279,429
Liabilities and Deductions						
Bonds payable	145,000,000	115,000,000	140,000,000	300,000,000	375,000,000	1,075,000,000
Accrued expenses	65,612	46,069	14,264		26,000	151,945
Accrued interest payable						
Interest rate swap			426,478	1,097,766	1,169,445	2,693,689
Bond issues	452,122	303,758	4,490,004	6,527,821	10,625,000	22,398,705
Estimated excess earnings	-	-	-	-	-	-
Total liabilities	145,517,734	115,349,827	144,930,746	307,625,587	386,820,445	1,100,244,339
Less unamortized bond premium used to over-collateralize loan program	-	-	-	-	19,952,873	19,952,873
Total liabilities and deductions	145,517,734	115,349,827	144,930,746	307,625,587	406,773,318	1,120,197,212
Excess Funds	$ 627,000	$ 569,239	$ 1,096,107	$ 2,472,660	$ 8,317,211	$ 13,082,217
Fair market value of interest rate swaps	$ -	$ -	$ 8,110,322	$ 29,311,021	$ 24,420,560	$ 61,841,903

Source: Financial Statements for the Year Ended December 31, 2006

UNDER THE TERMS OF THE COVENANT AGREEMENT, IN THE EVENT OF A DEFICIENCY IN THE FUNDS SECURING THE 2007 BONDS, EXCESS FUNDS, IF ANY, HELD IN THE TRUST ESTATES OF OTHER BOND SERIES OF THE DVRFA MAY BE TRANSFERRED TO THE REVENUE FUND OF THE 2007 BONDS. SIMILARLY, IN THE EVENT OF A DEFICIENCY IN THE FUNDS OF ANY OTHER BOND SERIES, MONEYS HELD IN THE DISCRETIONARY FUND UNDER THE MASTER INDENTURE MAY BE TRANSFERRED TO FUNDS HELD IN THE TRUST ESTATE OF OTHER BOND SERIES OF THE DVRFA. MONEYS THAT ARE HELD IN THE TRUST ESTATES OF OTHER BOND SERIES ISSUED BY THE DVRFA PRIOR TO THE 2007 BONDS ARE NOT PLEDGED TO SECURE THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE 2007 BONDS.

PAYMENTS TO BONDHOLDERS AND SWAP COUNTERPARTIES

The priority of payments for debt service on the Bonds issued under the Indenture and for Swap Payments to Swap Counterparties is from:

i) the Revenue Fund;
ii) the Discretionary Fund,
iii) moneys provided pursuant to the Covenant Agreement;
iv) any moneys available in the Debt Service Reserve Fund; and
v) any other moneys in the Trust Estate available to the Trustee.

Termination Payments shall be paid only from moneys in the Discretionary Fund or provided pursuant to the Covenant Agreement and only after payment in full of all amounts then due on Bonds and as Swap Payments.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2007 Bonds. The 2007 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 Security certificate will be issued for the 2007 Bonds, in the aggregate principal amount of such issue, 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2007 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2007 Bonds, except in the event that use of the book-entry system for the 2007 Bonds is discontinued.

To facilitate subsequent transfers, all 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007 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 2007 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2007 Bonds may wish to ascertain that the nominee holding the 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2007 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the DVRFA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price of and interest payments on the 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the DVRFA or Tender Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC (nor its nominee), the Tender Agent, or the DVRFA, 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 DVRFA or the Tender 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.

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

DTC may discontinue providing its services as securities depository with respect to the 2007 Bonds at any time by giving reasonable notice to the DVRFA or the Tender Agent. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates for the 2007 Bonds are required to be printed and delivered.

The DVRFA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates for the 2007 Bonds will be printed and delivered to DTC.

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

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

THE LETTER OF CREDIT

The Letter of Credit is an irrevocable obligation of the Bayerische Landesbank, acting through its New York Branch (the "Bank"), to pay to the Trustee upon a demand of payment made with respect to the 2007 B Bonds in accordance with the terms of the Letter of Credit, (i) an amount not exceeding $50,000,000 with respect to the payment of the principal amount of the 2007 B Bonds, plus (ii) an amount not exceeding $924,658, representing 45 days of interest accrued at the maximum rate of 15%, calculated on the basis of a 365 day year.

The Letter of Credit is issued pursuant to the terms of the Reimbursement Agreement. The Trustee, upon compliance with the terms of the Letter of Credit, will be authorized to draw (i) the principal amount of the 2007 B Bonds when due upon scheduled maturity, optional redemption, mandatory redemption or acceleration, (ii) the purchase price (par plus accrued interest, if any) of the 2007 B Bonds purchased or deemed purchased pursuant to an optional or mandatory tender for purchase, and (iii) the interest due on the 2007 B Bonds.

The Letter of Credit will expire at the close of business on June 28, 2017 (the "Stated Expiration Date"). Notwithstanding the foregoing, the Letter of Credit will expire earlier than the Stated Expiration Date upon the first to occur of (i) the earlier of (A) the fifteenth day following the date (the "Conversion Date") that the rate of interest on the 2007 B Bonds is converted to a rate other than the Weekly Interest Rate or (B) the date on which the Bank honors a drawing under the Letter of Credit on or after the Conversion Date; (ii) the fifteenth day following receipt by the Bank from the Trustee of a certificate to the effect the Letter of Credit is being terminated due to the fact that (x) no 2007 B Bonds remain outstanding under the Indenture, (y) all drawings required to be made under the Letter of Credit have been made and honored, or (z) a Replacement Credit Facility has been issued to replace the Letter of Credit in accordance with the Indenture; (iii) the date of which an acceleration drawing is honored by the Bank; and (iv) the fifteenth day following receipt by the Trustee of notice from the Bank specifying the occurrence of an event of default under the Reimbursement Agreement and directing the Trustee to accelerate the 2007 B Bonds. The Stated Expiration Date may be extended by an amendment to the Letter of Credit.

The amount available for drawings (the "Available Amount") under the Letter of Credit will be reduced to the extent of any drawing that is not reinstated thereunder. With respect to a drawing by the Trustee solely to pay the principal of and accrued interest on the 2007 B Bonds due at maturity or upon redemption or upon acceleration, the Letter of Credit shall not be reinstated in the amount of such drawing. With respect to a drawing by the Trustee solely to pay the purchase price of the 2007 B Bonds purchased or deemed purchased, the principal amount as a result of tender and the amount of accrued and unpaid interest thereon shall be reinstated upon the Bank's receipt of full reimbursement therefor (including accrued interest to the date of reimbursement). With respect to a drawing by the Trustee solely to pay interest due and payable on the 2007 B Bonds, the interest amount shall be automatically reinstated effective the tenth (10^{th}) calendar day from the date of such drawing, provided, however, such amount shall not be reinstated if within nine (9) calendar days following such drawing, the Trustee shall have received from the Bank a notice to the effect that the Bank has not been reimbursed in full for any such drawing or an Event of Default under the Reimbursement Agreement has occurred and requesting acceleration of the 2007 B Bonds.

THE REIMBURSEMENT AGREEMENT

Interest Rates on Drawings

The interest rate on Credit Facility Bonds (*i.e.*, 2007 B Bonds purchased by the Bank pursuant to a liquidity drawing on the Letter of Credit) shall be equal to the Bank Rate. "Bank Rate" means the rate of interest per annum with respect to a liquidity advance (i) for any day commencing on the date on which such liquidity advance is made (the "Borrowing Date") to and including the 30th day next succeeding such Borrowing Date, equal to the Base Rate, from time to time in effect, (ii) for any day from and including the 31st day to and including the 90th day next succeeding such Borrowing Date, equal to the sum of the Base Rate from time to time in effect plus 1/2 of 1% (0.50%), (iii) for any day from and including the 91st day to and including the 180th day next succeeding such Borrowing Date, equal to the sum of the Base Rate from time to time in effect plus 1.0%, and (iv) for any day on or after the 181st day next succeeding such Borrowing Date, equal to the sum of the Base Rate from time to time in effect plus 1.5%; provided, however, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, "Bank

Rate" shall mean the Default Rate. "Base Rate" means the higher of (i) the rate of interest announced by the New York Branch of the Bank from time to time as its prime commercial rate, or equivalent, as in effect on such day for United States dollar loans, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate; or (ii) the Federal Funds Rate, plus 1/2 of 1% (0.50%). "Default Rate" means the Base Rate, from time to time in effect, plus 3%. Interest on all drawings shall be calculated on the basis of actual days elapsed and a 365 day year.

Covenants of the DVRFA

The Reimbursement Agreement contains certain covenants of the DVRFA. These covenants include agreements by the DVRFA to furnish its financial statements and other information to the Bank, to allow the Bank to inspect the DVRFA's books and records, to promptly notify the Bank of any litigation which would materially, adversely affect the Loan Program, the Trust Estate, or the ability of the DVRFA to perform its obligations under the Reimbursement Agreement. The DVRFA further covenants to (i) continuously maintain an Administrator to administer the Program and enforce the Loan Agreements; (ii) administer the Loan Program in accordance with the Loan Documents and to enforce all Loan Agreements in accordance with their terms; (iii) use only Loan Documents and Loan Agreements approved by the Bank; and (iv) enter into Loan Agreements only with those 2007 Series Participants and on terms and conditions approved in advance by the Bank.

Events of Default

Under the Reimbursement Agreement, the following constitute "Events of Defaults":

(i) The DVRFA shall have repudiated its debts or become insolvent or admit in writing its inability to pay its debts as they mature or shall decree a moratorium on the payment of its debts or apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator or receiver for itself or any part of its property, or 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, custodian, liquidator 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 60 days; or the Commonwealth of Pennsylvania or any other governmental authority having jurisdiction over the DVRFA imposes a debt moratorium, debt restructuring, or comparable restriction on repayment when due and payable of the principal of or interest on any Debt by the DVRFA; or all, or any substantial part, of the property of the DVRFA shall be condemned, seized, or otherwise appropriated, 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 DVRFA (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 it, or shall not be dismissed within a period of 60 days; or

(ii) The DVRFA shall fail to pay any all obligations and all liabilities under the Reimbursement Agreement, including liquidity drawings, liquidity advances, fees, costs, and penalties (collectively, "Obligations"), when and as due under the Reimbursement Agreement; or

(iii) Any representation, warranty, certification or statement made by the DVRFA in the Reimbursement Agreement or in any Related Document or in any certificate, financial statement or other document delivered pursuant to the Reimbursement Agreement or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; or

(iv) The DVRFA shall default in the due performance or observance of certain covenants under the Reimbursement Agreement:

  a) not to incur, assume, or guarantee any Debt, except Debt owed to the Bank, Debt represented by the 2007 Bonds, and additional Series of Bonds issued under and in accordance with the provisions of the Master Indenture (so long as (1) the additional Series of Bonds is not senior to the 2007 Bonds, (2) no Event of Default has occurred, is occurring, or would occur and (3) no liquidity advance or obligation under a liquidity advance is outstanding), that would constitute a charge against the Trust Estate,

b) not to dissolve nor sell, lease, assign, transfer, or otherwise dispose of all or a major portions of its assets under the Trust Estate,

c) not to merge into, consolidate with or into, sell, assign, lease, or otherwise dispose of all or substantially all of its assets to any Person (however, the Bank will not unreasonably withhold its consent if the surviving entity agrees to assume all of the obligations of the DVRFA and the rights of the Bank to receive performance are not materially adversely affected),

d) not to discharge or replace the Administrator, Remarketing Agent, Trustee, Tender Agent, or Paying Agent without the consent of the Bank (which consent will not be unreasonably withheld),

e) not to amend, terminate, modify or supplement, or agree to any amendment, termination or modification of, or supplement to, any of the Related Documents, provided, however, that with respect to any Loan Agreement, the DVRFA may make any immaterial amendments or supplements and DVRFA may enter into additional Supplemental Indentures under the Master Indenture (so long as the conditions in paragraph a) are satisfied) without the consent of the Bank,

f) not to declare or permit an optional redemption of the 2007 B Bonds pursuant to the Indenture if parity does not exist, without the consent of the Bank,

g) not to invest or reinvest any funds held under the Indenture unless the party providing such investments has long-term debt ratings of at least “Aa3” by Moody’s and “AA-” by S&P at the time such investment is made,

h) not to convert the interest rate borne by the 2007 B Bonds from the Weekly Interest Rate to any other interest rate; and

i) not to partially substitute the Letter of Credit.

(v) The DVRFA shall default in the due performance or observance of any term, covenant or agreement contained in the Reimbursement Agreement (other than those covered by paragraphs (i), (ii), (iii) and (iv) above) and such failure shall remain unremedied for a period of 30 days after the Bank shall have given the DVRFA written notice of such default; or

(vi) The DVRFA shall default in the due performance or observance of any term, covenant or agreement contained in any of the Related Documents and same shall not have been cured within any applicable cure period; or

(vii) The DVRFA shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) principal or interest on any Debt, with an outstanding principal amount of $5,000,000 or more, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Debt; or any other default under any indenture, contract or instrument providing for the creation of or concerning such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or pursuant to the provisions of any such indenture, contract or instrument the maturity of any Debt of the DVRFA in a principal amount in excess of $5,000,000 shall have been or may be accelerated or shall have been or may be required to be prepaid prior to the stated maturity thereof; or

(viii) (a) The Reimbursement Agreement, the Indenture, or any provision thereof, at any time after its adoption or execution and delivery, as applicable, shall, for any reason, cease to be valid and binding on the DVRFA, or in full force and effect or shall be declared, in a final, non-appealable judgment, to be null and void, or (b) the validity or enforceability of the Reimbursement Agreement, the Indenture or any provision thereof shall be contested by the DVRFA or by any governmental agency or authority having jurisdiction over the DVRFA (unless the same is being contested by the DVRFA in good faith and by appropriate proceedings), or (c) the DVRFA shall deny that it has any or further liability or obligation under the Reimbursement Agreement, the Indenture or any Loan Agreement; or

(ix) One or more judgments or court orders for the payment of money in an aggregate amount (a) in excess of $5,000,000 and not covered by insurance and payable from Revenues shall be rendered or (b) in excess of $5,000,000 and not covered by insurance shall be rendered against the DVRFA (and not payable from Pledged Revenues), and in either case such judgment or court order shall continue unsatisfied and in effect for a period of 60 consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal; or

(x) A Rating Agency shall have downgraded the rating on the 2007 B Bonds below one of the four highest rating categories of such Rating Agency, without regard to any numerical designations or the symbols "+" and "-", or withdrawn their rating on the Bonds for any credit related reason; or

(xi) Any amounts on deposit in, or otherwise to the credit of any funds or accounts established under Indenture shall become subject to any writ, judgment, warrant or attachment, execution or similar process;

(xii) The occurrence and continuation of a default or an event of default under (i) the Indenture or (ii) under the Loan Agreements in an aggregate principal amount that exceeds $5,000,0000; or

(xiii) The amount on deposit in the Debt Service Reserve Fund is less that the Debt Service Reserve Fund Requirement.

Remedies Upon Event of Default

Upon the occurrence of an Event of Default, the Bank shall, at the same or different times, so long as such Event of Default shall not have been remedied to the sole satisfaction of the Bank, take one or more of the following actions:

(i) declare the principal of and interest on all amounts payable under the Reimbursement Agreement to be immediately due and payable,

(ii) by written notice to the DVRFA require that the DVRFA immediately prepay to the Bank in immediately available funds an amount equal to the Available Amount (such amounts to be held by the Bank as collateral security for the Obligations);

(iii) give notice of the occurrence of an Event of Default to the Trustee, directing the Trustee to cause an acceleration of the Bonds, thereby causing the Letter of Credit to expire 15 days thereafter; and/or

(iv) proceed to enforce all other remedies available under the Related Documents and under applicable law and in equity; provided that if any event specified in paragraph (i) in "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT – THE REIMBURSEMENT AGREEMENT - Events of Default" occurs, the consequences of the Bank's notice described in paragraphs (i) and (ii) above shall result automatically upon the occurrence of such event without notice from the Bank.

BAYERISCHE LANDESBANK

Bayerische Landesbank ("BayernLB") was founded in 1972 through the merger of Landesbodenkreditanstalt and Bayerische Gemeindebank and has the legal status of a "corporation established under public law". BayernLB is jointly owned by the Free State of Bavaria and the Association of Bavarian Savings Banks, each with a 50% stake. In 2002, the two owners transferred their holdings in BayernLB to BayernLB Holding AG in exchange for 50% each of the shares. The legal basis required for this transfer was created through the Landesbank Law, which came into effect on 1 August 2002. BayernLB Holding AG is entrusted with the duties of the sole shareholder of BayernLB and is not a bank itself.

BayernLB acts as principal bank to the Free State of Bavaria and as the central banking institution to the Bavarian savings banks. Aside from the Bavarian savings banks, its major target customers are "Financial Institutions & Sovereigns" (national and local governments), "Corporates" and "Real Estate Customers". BayernLB's trading and issuing operations, BayernLB is one of the largest issues of bonds and securities in Germany, are bundled in its "Financial Markets" business area. BayernLB also operates two legally dependent institutions: Bayerische Landesbodenkreditanstalt (LABO) and the Home Loan Division (LBS). Together with the S-Finanzgruppe Bayern, BayernLB supports the economy in Bavaria.

The BayernLB Group is present in all the world's major financial centers. It offers both its own customers and export-oriented customers of the Bavarian savings banks a wide range of banking products and services through its offices and holdings.

The New York Branch

Since October 1, 1981, BayernLB's New York branch (the "Branch") has been licensed by the Comptroller of the Currency (the "Comptroller") pursuant to the *International Banking Act of 1978*, as amended. The Branch conducts an extensive banking business providing services to subsidiaries of large German corporations in North America and to United States and international companies. The offices of the Branch are located at 560 Lexington Avenue, New York, New York, USA 10022, Telephone: (212) 310-9800.

Incorporation of Certain Documents by Reference

BayernLB's most recent audited consolidated financial statements (including the notes thereto) are incorporated by reference in this Official Statement. Such financial statements are available on the BayernLB's website: http://www.bayernlb.de. However, no other information made available on the BayernLB's website is incorporated by reference.

The Bank has supplied the information relating to it in the previous paragraphs. The Bank does not accept responsibility for any information contained herein other than the information contained in this section relating to the Bank. The DVRFA disclaims any responsibility for any information pertaining to the Bank in this section.

INVESTMENT AGREEMENTS

The DVRFA expects to enter into one or more Investment Agreements among the DVRFA, the Trustee, and one or more Investment Agreement Providers to be determined pursuant to a competitive bidding process. With the exception of the Rebate Fund, all of the Funds under the Indenture are expected be invested in the Investment Agreements. THE INVESTMENT AGREEMENT PROVIDER WILL ASSUME NO RESPONSIBILITY FOR THE PAYMENT OF ANY AMOUNTS PAYABLE BY THE DVRFA ON THE 2007 BONDS OR UNDER THE SWAP AGREEMENTS.

The DVRFA expects that the Investment Agreements will pay interest monthly and that the rate will be linked to the Municipal Swap Index or a LIBOR Rate. The DVRFA expects to have the right to withdraw funds from any of the Investment Agreements, with no more than seven days' notice, to originate Loans, to pay principal of and interest on the 2007 Bonds, to make Swap Payments, to pay Administrative Expenses, and to transfer Excess Funds. The DVRFA expects to have the right to deposit funds in the Investment Agreements with no more than three days' notice. Under certain circumstances, when the interest rates of the Investment Agreements exceed the Bond Yield, the DVRFA expects to have the right to temporarily withdraw funds from the Investment Agreements to invest in other Eligible Investments, as permitted in the Indenture.

The Indenture requires that, at the time of execution of an Investment Agreement, an Investment Agreement Provider, or its guarantor, have long-term, senior, unsecured debt ratings (or equivalent ratings) of "Aa3" or higher by Moody's and "AA-" or higher by S&P. The DVRFA expects that the Investment Agreement will require the Investment Agreement Provider, or its guarantor, to post collateral or to repay the principal of and accrued interest on the investment if certain events of default or other events affecting the financial condition of the Investment Agreement Provider, or its guarantor, occur. An Investment Agreement Provider could default before the DVRFA is able to recover the principal of and accrued interest on its investment under the Investment Agreement. If an Investment Agreement Provider defaults, the DVRFA may not be able to obtain a replacement Investment Agreement on comparable terms.

INTEREST RATE SWAP AGREEMENTS

The DVRFA, in order to achieve its programmatic objectives, expects to enter into one or more Swap Agreements with respect to the 2007 Bonds with one or more Swap Counterparties. See "THE 2007 Bonds - Plan of Finance" and "The DVRFA - Programmatic Objectives." The Indenture requires that, at the time of execution of any Swap Agreement, a Swap Counterparty (or its Swap Guarantor) shall have long-term, senior, unsecured debt ratings (or equivalent ratings) of "Aa3" or higher by Moody's and "AA-" or higher by S&P. Neither the Swap Receipts nor any other payment from the Swap Counterparty is expected to be secured by credit enhancement. The DVRFA expects to enter into the Initial Swap Agreement with respect to the 2007 Bonds, effective the date of delivery thereof, with Citibank, N.A. Depending on market conditions at the time of execution of any Swap Agreement, the DVRFA may pay to or receive from a Swap Counterparty amounts based on (i) the Municipal Swap Index, (ii) a fixed rate, (iii) a LIBOR Rate, or (iv) any other index or rate. The maximum rate payable by the DVRFA under any Swap Agreement shall be fifteen percent (15%).

In general, if all or a portion of a Loan to a Participant is originated as, or converted to, a Fixed Rate Loan, DVRFA expects (i) to enter into a Swap Agreement or (ii) execute an offsetting transaction under the Initial Swap Agreement or any Swap Agreement then in effect for a notional amount equal to the Loan Principal converted to a Fixed Rate Loan.

See footnotes 4, 6, and 7 in "Appendix I: FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006" for information about the swap agreements previously entered into by the DVRFA.

EARLY TERMINATION OF INTEREST RATE SWAP AGREEMENT

Each Swap Agreement will specify certain events of default and certain other events related to or affecting the performance or financial condition of the DVRFA, a Participant, a Guarantor, a Participant Credit Enhancer, or the Swap Counterparty, that could precipitate the termination of all or a portion of the Swap Agreement prior to its scheduled termination date (an "Early Termination"). In the event of an Early Termination, either the DVRFA or the Swap Counterparty could be obligated to make a Termination Payment, which could be substantial, based upon the replacement cost or gain of the portion of the Swap Agreement being terminated. Events that may cause Early Termination under the Initial Swap Agreement include, but are not limited to:

i) failure to pay or other breach by the DVRFA of obligations under the Initial Swap Agreement or any other swap or similar transaction secured under the Trust Estate with the same Swap Counterparty;

ii) certain events of bankruptcy, insolvency or dissolution of the DVRFA or any Participant or its Guarantor;

iii) default by the DVRFA with respect to any Series of Bonds or any other obligation secured by the Trust Estate under the Indenture;

iv) default by Participants or their Guarantors under Loans made from the proceeds of any Series of Bonds and not secured by Participant Credit Enhancement and aggregating $12 million at any time;

v) merger of the DVRFA or any Participant or its Guarantor, or transfer of substantially all of the assets of such entity, where the resulting, surviving or transferee entity fails to assume the obligations of its predecessor or is of materially weaker creditworthiness;

vi) DVRFA having outstanding at any one time (A) a sum of the Loan Principal outstanding to (1) unrated Participants, (2) Participants rated below "Baa1" from Moody's or "BBB+" from S&P, and (3) unrated Participants or Participants rated below "Baa1" or "BBB+" secured by a Participant Credit Enhancer with ratings below "Aa3" by Moody's or "AA-" from S&P in excess of 20% of the all Loan Principal outstanding under the Master Indenture and (B) within 30 days thereof, (1) a Participant Credit Enhancer is not secured, (2) a replacement Participant Credit Enhancer is not secured, or (3) the DVRFA has not provided to the Swap Counterparty collateral in an amount and upon such terms as are reasonably acceptable to the Swap Counterparty (see "SECURITY FOR THE 2007 BONDS - LOAN AGREEMENT AND PARTICIPANT NOTE - Participant Credit Enhancement and Ratings of Participants");

vii) the withdrawal, suspension or reduction of the credit rating of any Series of Bonds below "Baa3" by Moody's or "BBB-" by S&P;

viii) the failure of the DVRFA to make aggregate Loans to Participants equal to 35% of the deposit to the Acquisition Fund on or prior to the date that is eighteen (18) months following the date of issuance of any Series of Bonds issued under the Master Indenture; and

ix) the extraordinary mandatory redemption of any Series of Bonds issued under the Master Indenture of an amount greater than (A) $10,000,000 and (B) 10% of all the Bonds outstanding under the Master Indenture immediately prior to the extraordinary mandatory redemption.

THE FOREGOING DESCRIPTION OF EARLY TERMINATION IS NOT EXHAUSTIVE. THE INITIAL SWAP AGREEMENT, INCLUDING THE MASTER AGREEMENT, SCHEDULE AND CONFIRMATION RELATED THERETO, ARE ON FILE AT THE OFFICES OF THE DVRFA. THE ABOVE ORDER OF EVENTS WHICH COULD CAUSE EARLY TERMINATION IS NOT INTENDED TO SUGGEST ANY LEVEL OF IMPORTANCE OF ONE EVENT OVER ANOTHER, AND NO INFERENCE SHOULD BE DRAWN TO THAT EFFECT. THE DVRFA HAS ENTERED INTO OTHER SWAP AGREEMENTS WITH RESPECT TO OTHER SERIES OF BONDS OF THE DVRFA WHICH MAY BE SUBJECT TO EARLY TERMINATION FOR REASONS OTHER THAN THOSE LISTED ABOVE.

PAYMENTS UNDER INTEREST RATE SWAP AGREEMENTS

Under the Indenture, Swap Receipts are pledged to the payment of the 2007 Bonds and any Swap Payments (as well as the payment of any other Series of Bonds issued under the Indenture) and shall be deposited in the Revenue Fund. Any Termination Payment that is paid by a Swap Counterparty related to an Early Termination shall be deposited in the Revenue Fund. Notwithstanding the foregoing, the agreement by a Swap Counterparty under a Swap Agreement to pay certain amounts to the DVRFA will not affect the obligation of the DVRFA under the Indenture to pay the principal or purchase price of, interest on, and premium, if any, on the 2007 Bonds. Neither the holders of the 2007 Bonds nor any other person other than the DVRFA will have any rights under any Swap Agreement or against any Swap Counterparty.

The obligation of the DVRFA to make Swap Payments to a Swap Counterparty shall be secured by the Trust Estate on a parity with the 2007 Bonds and shall be payable from the Revenue Fund. All other payment obligations of the DVRFA to a Swap Counterparty, including any Termination Payment related to an Early Termination, are payable solely from moneys available in the Discretionary Fund or from Excess Funds available under the Covenant Agreement and are subject and subordinate to the payment of principal, purchase price, and redemption price of and interest on the 2007 Bonds then due and payable and Swap Payments. The obligation of the DVRFA to make Swap Payments will not be secured by credit enhancement.

The (i) principal, purchase price, and redemption price of and interest on the 2007 Bonds and all other Series of Bonds issued under the Master Indenture, (ii) all amounts owing to a Credit Facility Provider on the 2007 Bonds and all other Series of Bonds issued under the Master Indenture, and (iii) periodic interest rate swap payments under Swap Agreements related to the 2007 Bonds and all other Series of Bonds issued under the Master Indenture, will be equally and ratably secured under the Master Indenture by all right, title, and interest of DVRFA in and under (i) the Revenues, the Participant Notes, and Loan Agreements; (ii) the Swap Agreements and the Swap Receipts; (iii) the Investment Agreements; (iv) all Participant Credit Enhancements; (v) all moneys and securities (including the investment income therefrom) and all other property of every kind and of every name and nature pledged to the Trustee as security under the Indenture (excluding the Rebate Fund and the Discretionary Fund to the extent provided in the Covenant Agreement; and (vi) all right, title, and interest of the DVRFA in all Credit Facilities. Termination Payments under Swap Agreements are secured by moneys in the Discretionary Fund, subject and subordinate to the payment of principal, purchase price, and redemption price of and interest on the 2007 Bonds and all other Series of Bonds issued under the Master Indenture then due and payable and Swap Payments, except as otherwise provided in connection with the issuance of any additional Series of Bonds.

IN THE EVENT OF AN EARLY TERMINATION, NO ASSURANCE CAN BE GIVEN THAT (i) THE DVRFA WILL RECEIVE A TERMINATION PAYMENT PAYABLE TO IT BY A SWAP COUNTERPARTY, (ii) THE DVRFA WILL HAVE SUFFICIENT AMOUNTS IN THE DISCRETIONARY FUND OR AVAILABLE UNDER THE COVENANT AGREEMENT TO MAKE A TERMINATION PAYMENT PAYABLE TO A SWAP COUNTERPARTY, OR (iii) THE DVRFA WILL BE ABLE TO OBTAIN A REPLACEMENT SWAP AGREEMENT ON COMPARABLE TERMS.

TAXING POWERS OF LOCAL GOVERNMENT UNITS

A Local Government Unit may levy an annual ad valorem tax on all taxable real estate to pay debt service on indebtedness, such as Repayments under a Loan Agreement, incurred pursuant to the *Debt Act*. Under the *Local Tax Enabling Act*, certain Local Government Units may also assess other taxes that can be used to pay debt service. However, under the *Taxpayer Relief Act*, school districts must not increasead valorem taxes in excess of an inflation index or impose any new tax without voter approval in a referendum. See "SECURITY FOR THE 2007 BONDS – LOAN AGREEMENT AND PARTICIPANT NOTE – Loan Agreements with School Districts."

LOCAL TAX ENABLING ACT

Under the *Local Tax Enabling Act*, additional taxes may be levied by cities of the second class, cities of the second class A, cities of the third class, boroughs, towns, townships of the first class, townships of the second class, school districts of the second, third and fourth classes (subject to division among political subdivisions authorized to levy similar taxes on the same person, subject, business, transactions or privilege) subject to the following limitations:

Type of Tax	*Limit*
Per Capita Tax	$10.00
Wages, salaries, commissions and other earned income of individuals	1%
Sales involving the transfer of title of real property	1%
Flat rate occupation and occupational privilege tax	$10.00
Admissions (1)	10%
Tax on Occupations (if millage or percentage is used as a basis)	no limit (2)

(1) Except to motion picture theaters in cities other than of the second class.
(2) Subject to the overall limit set by the *Local Tax Enabling Act.*

The aggregate amount of taxes under the *Local Tax Enabling Act* shall not, in the case of any political subdivision, exceed an amount equal to the product obtained by multiplying 12 mills by the latest market value of real estate as determined by the board for the assessment and revision of taxes or any similar board established by the assessment laws which determine market values of real estate within the political subdivision, or, if no such board has determined such values, then the values as certified by the State Tax Equalization Board of the Commonwealth of Pennsylvania shall be used. The limitation for certain independent school districts is an amount equal to the product obtained by multiplying 15 mills by the latest market value of real estate determined as described above.

TAXPAYER RELIEF ACT OF 2006

Under the *Taxpayer Relief Act of 2006*, which became effective on June 27, 2006, school districts are eligible to receive funds derived from a Commonwealth tax on gaming. Each school district (other than Philadelphia, Pittsburgh and Scranton) is required to submit to the electors at the primary election in the Spring of 2007 a referendum question seeking voter approval allowing the school district to levy an earned income and net profits tax ("EIT") or a personal income tax to be used, together with the new state funds, to reduce residential real estate taxes through the use of homestead and farmstead exclusions. In the case of the City of Philadelphia, the funds would be applied toward wage tax reductions. Under the *Taxpayer Relief Act*, unless a referendum question is approved by the electorate of a school district or an exception to this requirement is available, the school district, in any fiscal year, may not increase any tax by more than the Index described below, levy any new tax or raise the rate of any EIT imposed under the authority of the *Local Tax Enabling Act*. The *Taxpayer Relief Act* repealed *Act 72 of 2004* ("*Act 72*"), which was also designed to reduce ad valorem real estate taxes through the use of state gaming funds and school district EITs. In addition, if the revenue raised by the increase of any tax by the Index rate is insufficient to balance the proposed budget of the school district, as a result, inter alia, of the requirement to pay the principal and interest on any indebtedness incurred prior to September 4, 2004 under the *Debt Act*, school districts that elected to participate in *Act 72* are authorized to increase the rate of a tax levied for the support of the school district by more than the Index to pay for such principal and interest payments, until such time as the final payment of principal and interest on such indebtedness is made. The Index, to be determined annually by the Pennsylvania

Department of Education, is based upon the statewide average weekly wage and the nationwide employment costs for elementary and secondary schools.

A school district may apply to the Court of Common Pleas for an exception to the referendum requirement to the extent that the additional tax revenues are to pay costs incurred in responding to a declared emergency or disaster, implementing a court or administrative order, or responding to conditions posing an immediate threat of serious physical harm to persons. In addition, the Pennsylvania Department of Education has authority to allow an exception to the referendum requirement where the additional revenues are to be used solely:

i) to pay principal and interest on debt incurred prior to the effective date of the *Taxpayer Relief Act*; debt approved by voters, or debt incurred within certain limits for certain school construction projects;

ii) to pay costs that are incurred in providing special education programs and services (to the extent the increase exceeds the Index);

iii) to pay costs incurred in the implementation of a school improvement plan required under the Federal *No Child Left Behind Act* and not offset by a state allocation;

iv) to pay costs necessary to maintain per-student local tax revenues or per-student instruction expense, adjusted by the Index, in a school district that has experienced significant growth in student population or an actual increase in instruction expense;

v) to maintain revenues derived from real property taxes, earned income taxes, basic funding allocations from the state and special education funding allocations from the state, at the level of the Index;

vi) to pay costs of providing health care and related benefits directly attributable to a collective bargaining agreement in effect on January 1, 2006; and

vii) to pay increases of more than the Index in the school district's share of payments into the state public school employees' retirement system.

The requirement of voter approval for tax increases by school districts may adversely impact the ability of those school districts to increase taxes, irrespective of the actual level of state funding made available to that school district from the gaming tax. School districts no longer have the power to levy taxes in an unlimited amount. However, the Taxpayer Relief Act does not alter the provisions of the Debt Act that provide remedies upon the failure of a Local Government Unit (including a school district) to meet its payment obligations under a Loan Agreement with the DVRFA (see "2007 Bonds – Security For The 2007 Bonds – Remedies under the Debt Act") or the provisions of the Public School Code requiring the withholding of state appropriations for payment of defaulted school district loan payments. Payments by the state to school districts under the Taxpayer Relief Act, like the real property taxes they replace, would not be appropriations subject to withholding under Section 6-663 of the Public School Code. See "THE 2007 BONDS – SECURITY FOR THE 2007 BONDS – Loan Agreement and Participant Note."

INVESTMENT CONSIDERATIONS

The purchase of the 2007 Bonds involves certain investment considerations that are described in this Official Statement. Each prospective purchaser of any 2007 Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the risks associated with the purchase of investments such as the 2007 Bonds. CERTAIN OF THESE INVESTMENT CONSIDERATIONS ARE SET FORTH IN THIS SECTION FOR CONVENIENCE AND ARE NOT INTENDED TO SUBSTITUTE FOR AN INDEPENDENT EVALUATION OF THE INFORMATION PRESENTED IN THIS OFFICIAL STATEMENT.

Limited Obligations. The 2007 Bonds are special, limited obligations of the DVRFA, payable from and secured solely by the trust estate pledged under the Indenture (See "SECURITY FOR THE 2007 BONDS."). THE DVRFA HAS NO TAXING POWER.

Loan Origination. The DVRFA and the Administrator reasonably expect that Loans will be originated with the proceeds of the 2007 Bonds; however, neither the DVRFA nor the Administrator can give any assurance that such Loans will be originated. See "THE 2007 BONDS – REDEMPTION PROVISIONS," "INTEREST RATE SWAP AGREEMENTS," and "THE DVRFA - LOAN PROGRAMS.".

Swap Agreements. The DVRFA reasonably expects to make Swap Payments and to receive Swap Receipts as provided in the Initial Swap Agreement and other Swap Agreements that may be entered into in the future with respect to the 2007 Bonds and the Loans, until the scheduled termination date of such Swap Agreements; however, the DVRFA can give no assurance that any Swap Counterparty will not default on its obligations thereunder or that the Initial Swap Agreement or any other Swap Agreement will not be subject to Early Termination. See "INTEREST RATE SWAP AGREEMENTS."

Participant Credit Enhancement and Ratings of Participants. Under the Initial Swap Agreement, the failure to comply with certain Loan Thresholds based upon the ratings of the Participants and Participant Credit Enhancers is a termination event. The Indenture requires DVRFA to secure Participant Credit Enhancements for Participants and replacement Participant Credit Enhancements for Participant Credit Enhancers whose ratings or rating downgrades could cause the Loan Threshold to be exceeded. No assurance can be given that DVRFA will be able to secure the requisite Participant Credit Enhancements. See "SECURITY FOR THE 2007 Bonds - LOAN AGREEMENT AND PARTICIPANT NOTE - Participant Credit Enhancement and Ratings of Participants," "INTEREST RATE SWAP AGREEMENTS," and "THE DVRFA – LOAN PROGRAMS."

Participants and Guarantors. This Official Statement is not intended to, and does not contain sufficient information with respect to any Participant or Guarantor that would enable a purchaser of the 2007 Bonds to make a judgment about the creditworthiness of any such Participant or Guarantor. The DVRFA reasonably expects a Participant (or Guarantor, if applicable) to make all Repayments due under its Loan Agreement and to comply with all covenants in the Loan Agreement; however, the DVRFA can give no assurance that a Participant (or Guarantor, if applicable) will not default or breach the covenants under the Loan Agreement (See "SECURITY FOR THE 2007 BONDS" and "THE DVRFA – LOAN PROGRAMS.").

BayernLB and the DVRFA. The rating of the 2007 B Bonds by Moody's Investors Service is based upon the Letter of Credit and the creditworthiness of the BayernLB. The rating of the 2007 B Bonds by Standard and Poor's Rating Services is based upon the Letter of Credit, the creditworthiness of BayernLB, the creditworthiness of the DVRFA, and the joint correlation of a default by BayernLB and the DVRFA. See "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT - BAYERISCHE LANDESBANK," "THE DVRFA," and "RATINGS."

Investment Provider. The DVRFA reasonably expects to receive all payments of principal of and interest on its investment under an Investment Agreement; however, the DVRFA can give no assurance that an Investment Agreement Provider will not default on its obligations thereunder. See "INVESTMENT AGREEMENTS."

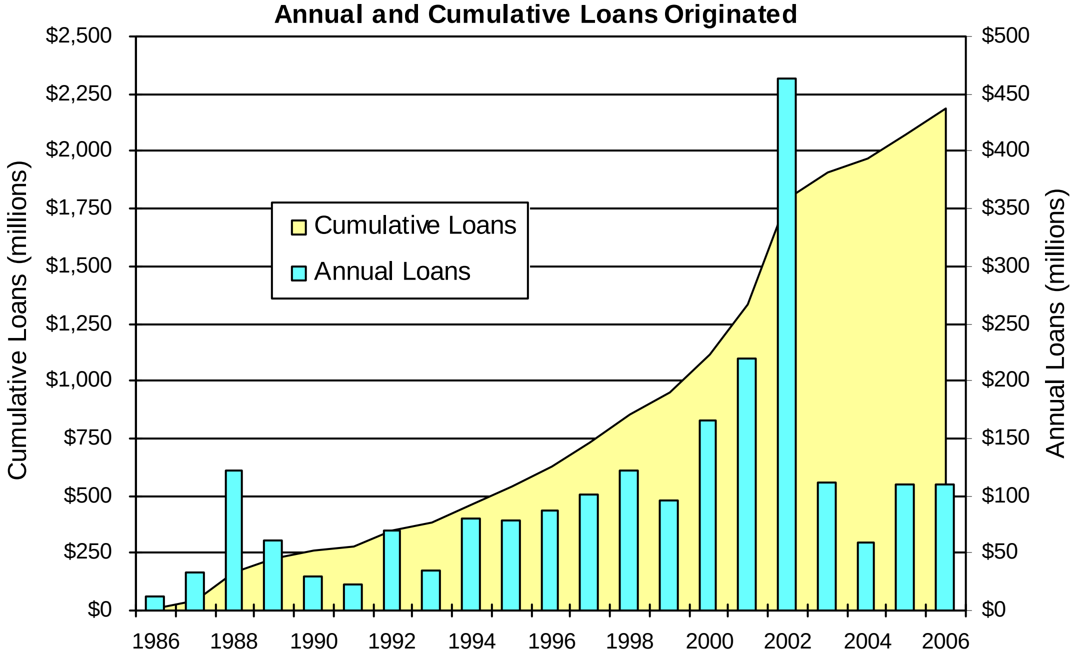
Tax Compliance. In order for the interest on the 2007 Bonds to remain excludible from the gross income of the holders thereof under the *Code*, the DVRFA must comply with the relevant tax covenants in the Indenture and all of the Participants (and Guarantors, if applicable) must comply with the relevant tax covenants in their respective Participant Tax Compliance Agreements. Failure of the DVRFA or any one Participant (or Guarantor, if applicable) to comply with the tax covenants could jeopardize the tax exempt status on all 2007 Bonds, possibly on a retroactive basis. See "SECURITY FOR THE 2007 BONDS – LOAN AGREEMENT AND PARTICIPANT NOTE" and "TAX MATTERS."

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO THEIR MAKING OF AN INFORMED INVESTMENT DECISION. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DVRFA

The Delaware Valley Regional Finance Authority is a body corporate and politic jointly formed by Bucks, Chester, Delaware, and Montgomery Counties, Pennsylvania (collectively, the "Counties") pursuant to the provisions of the *Authorities Act* on December 23, 1985. The Counties created the DVRFA to provide loans for Projects of Local Government Units and other political subdivisions (collectively, the "Political Subdivisions"). Since its creation in 1985, the DVRFA has provided 350 loans with an aggregate principal amount of nearly $2.2 billion.

Annual and Cumulative Loans Originated



Source: Calhoun, Baker Inc.

The governing body of the DVRFA consists of a Board of five members appointed by the Counties. Each year, at the first meeting in January on a rotating basis, one of the Counties appoints a new member for a five-year term to fill the vacancy created by the expiration of the term of appointment of a Board member. The current members of the Board of the DVRFA are set forth below.

Members of the Board

Member	*Office*	*Term Expires*	*County*
Joseph E. Brion, Esq.	Chairman	January 2012	Chester
James H. Shacklett, III	Vice Chairman	January 2009	Montgomery
Charles O. Marte, Esq.	Secretary	January 2010	Bucks
Linda A. Cartisano, Esq.	Treasurer	January 2011	Delaware
Joel L. Frank, Esq.	Assistant Secretary and Treasurer	January 2008	Chester

The DVRFA has no employees. The operations of the DVRFA are conducted by the Administrator, the Solicitor, and the trustees of the bonds issued by the DVRFA. The Administrator, Calhoun, Baker Inc., is responsible for operations, including the marketing of the loan programs, credit review of applicants, investment of funds, and administration of the loan portfolio. Calhoun, Baker Inc. has served as the Administrator since January 1989. The DVRFA's Solicitor, Carmen P. Belefonte, Esq., is responsible for the preparation of loan documents, resolutions, and contracts. Mr. Belefonte has served as Solicitor since the creation of the DVRFA. The Bank of New York Trust Company, N.A.; Commerce Bank, N.A.; U.S. Bank, National Association; and Wilmington Trust Company, serve as trustees for the bond issues that are currently outstanding. The trustees of the bond issues hold all of the funds and assets of the DVRFA. The trustees prepare bills to the Participants and collect the Repayments. Most of the Participants make Repayments through Automated Clearing House transactions. The trustees make all payments for debt service on bonds, interest rate swap payments, and administrative expenses pursuant to the indenture of the bond series or pursuant to the authorization of a requisition approved by the Board of the DVRFA.

PROGRAMMATIC OBJECTIVES

The DVRFA's primary objectives for its loan programs are to:

1) provide funding with a lower all-in true interest cost (taking into consideration costs of issuance, interest costs, and administrative costs) than the Participants could achieve on their own,
2) provide variable rate and fixed rate funding options that would not ordinarily be available to Participants, and
3) improve the ability and flexibility of Participants to manage their liabilities.

The DVRFA seeks to accomplish these objectives by realizing economies of scale, utilizing a revolving loan pool structure, issuing bonds in modes to minimize interest costs and to diversify exposure in future markets, and entering into interest rate swap agreements. The DVRFA generally issues bonds in an aggregate principal amount sufficient to fund 20 to 50 loans to Participants. By issuing in large principal amounts, the DVRFA realizes lower costs of issuance than would have been realized if each of the Participants issued a separate bond issue. The DVRFA uses a revolving loan structure to further reduce the effect of the costs of issuance. When loans are repaid, the repayments are used to originate new loans. This structure spreads the costs of issuance over a larger base of loans. The DVRFA issues bonds in different types of fixed rate and variable rate modes to reduce interest costs and to create loan programs that can be competitive in the future under rising and falling interest rate conditions. The DVRFA enters into interest rate swap agreements to minimize costs and to provide both fixed and variable rate loan options to Participants.

LOAN PROGRAMS

Loans from the DVRFA are limited to Projects permitted under the *Debt Act*. Loans from the DVRFA are subject to the following additional limitations:

1) The DVRFA may not provide a loan that would constitute a "Tax and Revenue Anticipation Note" under the Debt Act.
2) The DVRFA may not provide any loans to institutions of health or higher education.
3) Loans from the DVRFA must be secured or guaranteed by the full faith, credit and taxing power of a Local Government Unit.

The DVRFA provides funds for loan programs from the proceeds of bond issues. Each bond issue is a special limited obligation of the DVRFA. Each bond issue is secured by a pledge of the receipts and revenues of the loans originated with the proceeds of that bond issue. Under the terms of the Covenant Agreement, in the event of a deficiency in the funds of any series of bonds, Excess Funds held under any outstanding bonds would be transferred to the bond issue that was experiencing the deficiency. See "THE 2007 BONDS – SECURITY FOR THE 2007 BONDS – Covenant Agreement" and "Appendix II: COVENANT AGREEMENT" for further discussion.

Five series of bonds issued by the DVRFA to provide the funds for loans are currently outstanding:

1) $145,000,000 Adjustable Rate Local Government Revenue Bonds, Series of 1985 (the "1985 Bonds"),
2) $115,000,000 Bi-Modal Term Format, Local Government Revenue Bonds, 1986 Series (the "1986 Bonds"),
3) $140,000,000 Local Government Revenue Bonds, 1997 Series (the "1997 Bonds"),
4) $300,000,000 Local Government Revenue Bonds, Series of 1998 (the "1998 Bonds"), and
5) $375,000,000 Local Government Revenue Bonds, 2002 Series (the "2002 Bonds").

The amount of the 1997 Bonds outstanding will be reduced as of July 1, 2007, when the $70,000,000 1997 A Bonds will be subject to a mandatory tender and will be purchased and cancelled. All of the outstanding bond issues employ a revolving loan structure. When Participants repay the principal of their loans, the funds become available to be used to provide new loans.

Loans must receive approvals from (i) the Administrator, (ii) the Board of the DVRFA, and (iii) either the credit facility provider for the DVRFA bonds which are to fund the particular loan or the credit enhancer for the loan.

Market Area

The primary market area of the DVRFA is in the Counties. The Counties encompass an area of approximately 2,060 square miles and a population of more than 2.3 million people. The Counties contain more than 420 Political Subdivisions. The number and type of Political Subdivision by county are shown in the table below.

Political Subdivisions in the Counties

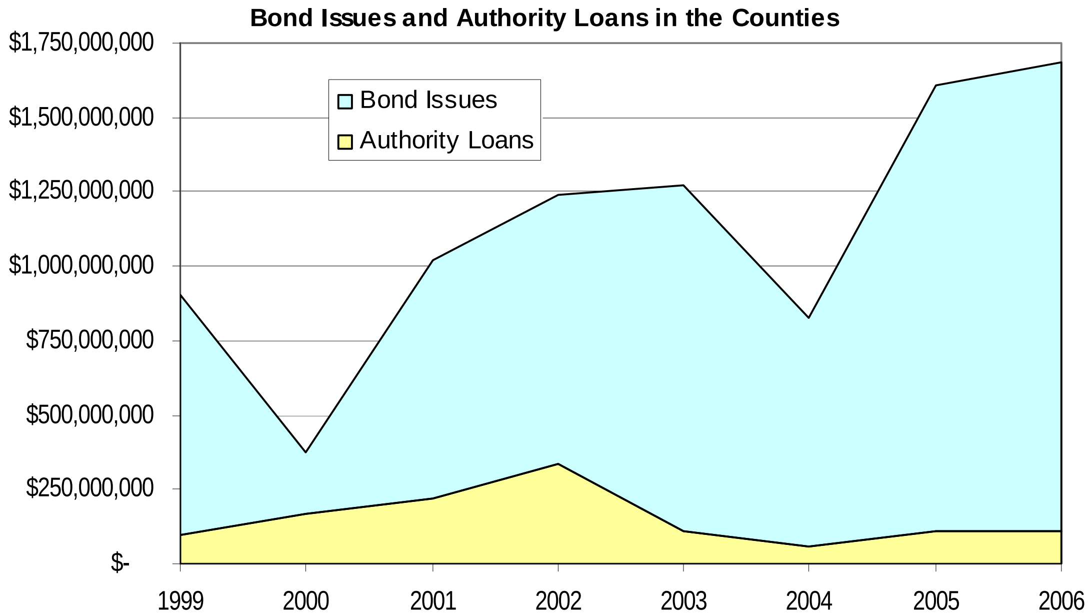
Type	*Bucks County*	*Chester County*	*Delaware County*	*Montgomery County*	*Total*
Counties	1	1	1	1	4
Boroughs	23	15	27	24	89
Townships	31	57	21	38	147
Cities	0	1	1	0	2
School Districts	13	12	15	22	62
Authorities (1)	28	31	17	42	118
Total	96	117	82	127	422

(1) Includes water, sewer, airport, municipal waste, and multi-purpose authorities.

Source: Calhoun, Baker Inc.

A high proportion of the Political Subdivisions in the primary market area, and in Pennsylvania generally, do not have published ratings. Many of the Political Subdivisions are small and have not issued public debt. Most of the Political Subdivisions that have issued debt have chosen to issue with municipal bond insurance and without published underlying ratings.

The DVRFA initially, as a matter of policy of the Board, limited its lending activities to Political Subdivisions located in the Counties. In 2002, in order to provide geographic diversification to its loan portfolio, the DVRFA began lending to Political Subdivisions in Pennsylvania located outside the Counties; however, pursuant to an amendment to the DVRFA's Articles of Incorporation, the DVRFA restricts loans from the 1985 Bonds and 1986 Bonds to Participants located in the Counties. The DVRFA expects that Participants from outside the Counties will be principally Local Government Units that have ratings, or in the opinion of the Administrator, would be able to secure ratings, of "A3/A-" or higher from Moody's and S&P. The DVRFA expects that Political Subdivisions in the Counties will continue to be the principal participants in its loan programs. Below is a chart of the Political Subdivision bond issues and the DVRFA loans in the Counties since 1999.

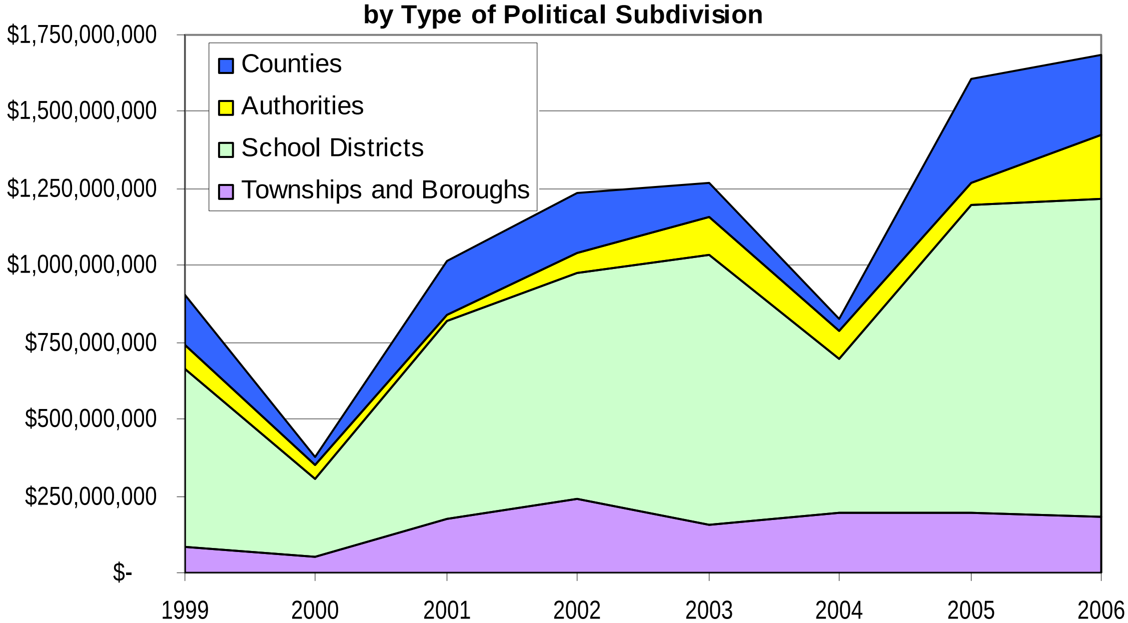


Source: Calhoun, Baker Inc.

Total financings (not including bank loans and loans originated by other financing authorities) in the Counties during this period averaged about $1.1 billion per year. DVRFA loans constituted about 13.6% of this total. In 2002, following the closing of the DVRFA's 2002 Bonds, the DVRFA loans were 27% of the total. The DVRFA's share of the total financings in the Counties dropped in 2003 after the DVRFA loaned all of the proceeds of the 2002 Bonds. In the subsequent years, the only funds available for new loans were from the repayments received on the loans that had been previously originated.

School districts accounted for 63.0% of the total financings in the Counties since 1999. Counties comprised 14.6%, townships and boroughs 14.7%, and authorities (excluding financing authorities, health and higher education authorities, and industrial development authorities) 7.8%.

Bond Issues and Authority Loans in the Counties by Type of Political Subdivision



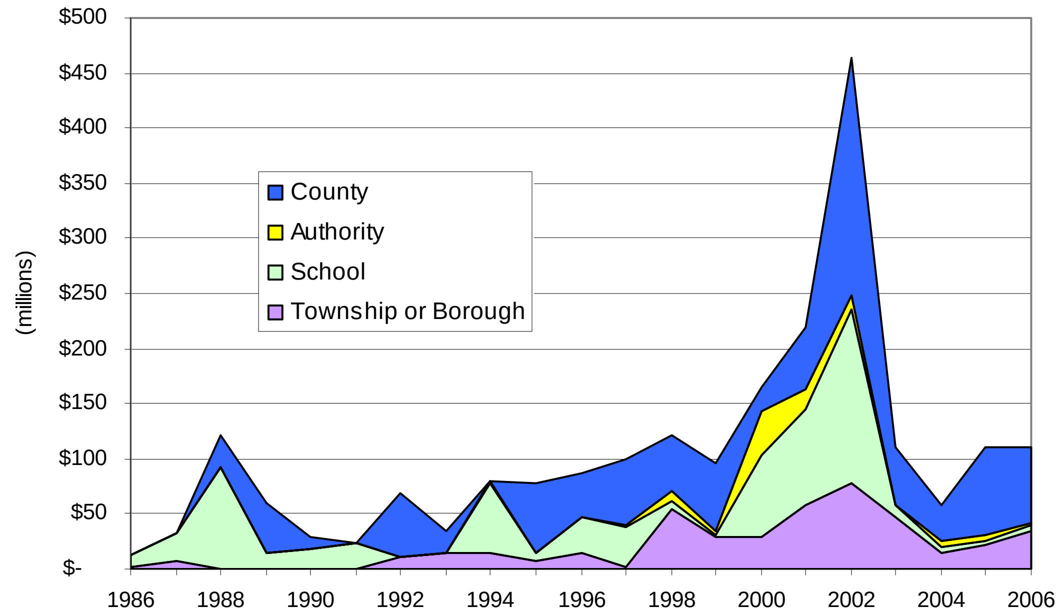
Source: Calhoun, Baker Inc.

History of the Loan Programs

Counties and school districts accounted for 89% of the $542 million of loans originated by the DVRFA during the period from 1986 to 1995. During this period, the DVRFA only offered variable rate loans. The DVRFA's loans were generally either large, construction loans to counties and school districts or small, long-term loans to townships and boroughs. Generally, the counties and school districts utilized the loan programs to take advantage of the flexibility, low origination fees, and low interest rates of the variable rate loans. Typically, the townships and boroughs utilized the loan programs because of the low origination fees. Potential borrowers in the $5 - $15 million range usually preferred fixed rate debt, and those Political Subdivisions typically issued their own bonds. The repayments of the loans, funded from the 1985 Bonds and 1986 Bonds, were the only source of funds for new loans; consequently, the availability of funding constrained the DVRFA's ability to originate new loans.

The DVRFA recognized a significant demand for a fixed rate loan option. The DVRFA issued a $21 million bond issue to fund a dedicated pool of fixed rate loans with no recycling of Repayments in 1996. The DVRFA then developed a plan for a loan program that could originate either variable rate or fixed rate loans and that could recycle the Repayments. The DVRFA issued the 1997 Bonds, the 1998 Bonds, and the 2002 Bonds to fund this type of loan program, and the DVRFA was able to offer a competitive fixed rate loan option. During the period from January 1, 1996, through December 31, 2006, the DVRFA originated more than $1.64 billion of new loans. As of December 31, 2006, approximately 36% of the outstanding loans originated from the loan programs of the 1997 Bonds, 1998 Bonds, and 2002 Bonds were fixed rate loans. Loans to townships and boroughs increased after the fixed rate options became available. Loans to school districts declined after 2002 principally because the DVRFA did not have sufficient funding to provide larger loans.

DVRFA Loans Originated by Type of Political Subdivision



Source: Calhoun, Baker Inc.

New Loans Originated by Principal Amount

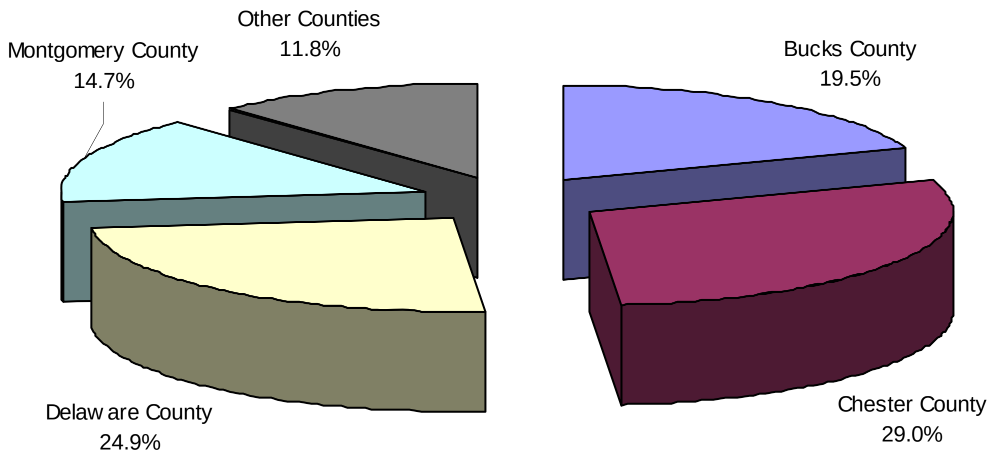
	2002	2003	2004	2005	2006	Total
Location of Participants						
Bucks County	$ 78,426,000	$ 46,685,000	$ 25,454,000	$ 8,671,000	$ 11,326,000	$ 170,562,000
Chester County	67,172,000	41,127,000	2,700,000	77,917,000	69,800,000	258,716,000
Delaware County	136,865,000	6,200,000	27,415,000	16,775,000	22,517,000	209,772,000
Montgomery County	50,866,000	16,422,000	2,800,000	7,235,000	6,273,000	83,596,000
Other	129,807,000	1,800,000	-	-	-	131,607,000
Total	$ 463,136,000	$ 112,234,000	$ 58,369,000	$ 110,598,000	$ 109,916,000	$ 854,253,000
Types of Participants						
Townships and Boroughs	$ 79,282,000	$ 48,872,000	$ 14,815,000	$ 21,305,000	$ 33,569,000	$ 197,843,000
School Districts	156,190,000	10,200,000	5,500,000	4,675,000	6,147,000	182,712,000
Authorities	12,500,000	720,000	3,750,000	4,000,000	1,700,000	22,670,000
Counties	215,164,000	52,442,000	34,304,000	80,618,000	68,500,000	451,028,000
Total	$ 463,136,000	$ 112,234,000	$ 58,369,000	$ 110,598,000	$ 109,916,000	$ 854,253,000

Source: Calhoun, Baker Inc.

Composition of the Loan Portfolio

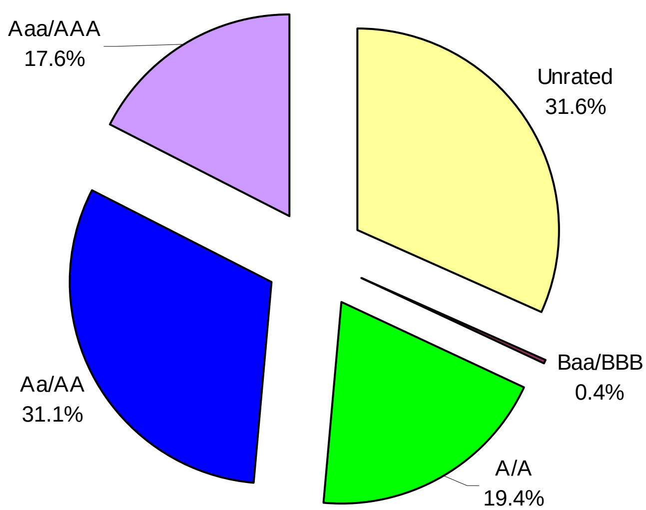
The DVRFA's portfolio of loans outstanding as of December 31, 2006, consisted of 219 loans to 114 Participants (approximately 25% of the Political Subdivisions in the Counties) in the aggregate principal amount of $915 million. Approximately 88% of the loans were to Political Subdivisions located in the Counties. Loans to Participants with ratings of "Aa3/AA-" or higher comprised 48.7% of the total loans outstanding. Loans to Chester County accounted for 16.4% of the loans outstanding, and loans to Delaware County accounted for 15.3% of the total loans outstanding. Loans to counties and school districts constituted 67.3% of the principal outstanding.

County of Participants
by Principal Amount of Loans Outstanding
on December 31, 2006



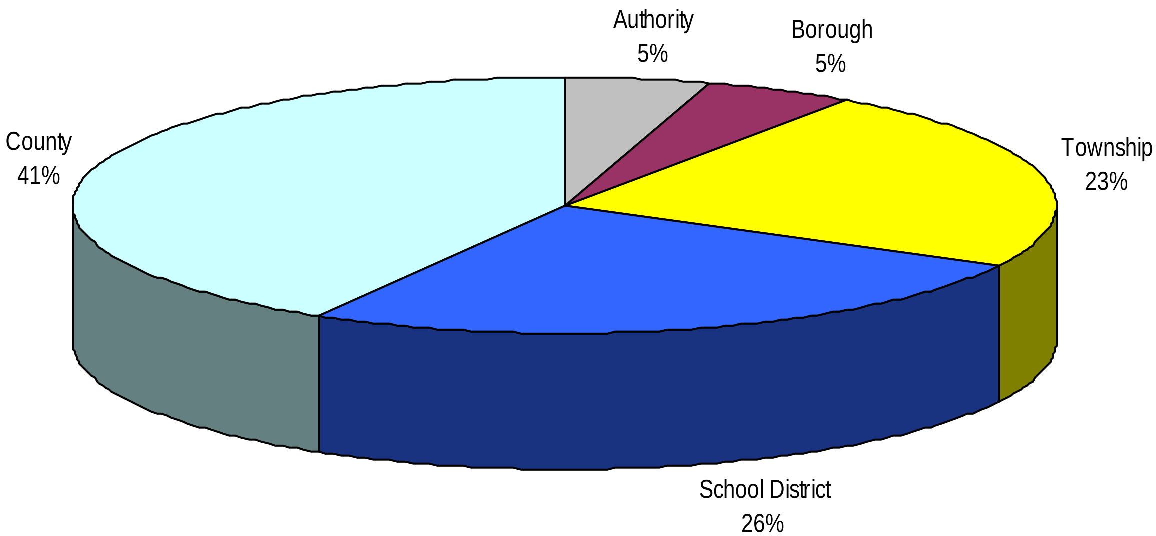
Source: Calhoun, Baker Inc.

Ratings of Participants
by Principal Amount of Loans Outstanding
on December 31, 2006



Source: Calhoun, Baker Inc.

Types of Participants
by Principal of Loans Outstanding
on December 31, 2006



Source: Calhoun, Baker Inc.

Loans to school districts also benefit from the provisions of Section 6-633 of the *Public School Code* and Section 8283(c) of the *Debt Act*. Under Section 6-633 of the *Public School Code*, if any school district fails to make its required debt service payments on the loans on the date such payments are due under a Loan Agreement, the Secretary of Education of the Commonwealth is required to withhold, from any subsidy payment of any type due the school district by the Commonwealth, an amount equal to such debt service payments owed by the school district. Under Section 8283(c) of the *Debt Act*, if a school district fails to pay or provide for the payment of periodic scheduled payments, not including any termination payments, due pursuant to a qualified interest rate management agreement (which would include Repayments due under the Loan Agreement), the DVRFA as a party to the Loan Agreement must notify the Secretary of Education (the "Secretary") of such failure and, upon such notice, the Secretary will notify the Department of Community and Economic Development and the offending board of school directors, and if the Secretary finds that the amount due and payable by the school district has not been paid, the Secretary shall withhold out of any state appropriation due the school district an amount equal to the amount due and will pay over the amount so withheld to the DVRFA. The foregoing withholding provisions are not part of any contract with the DVRFA, or with the holders of the 2007 Bonds, and future legislation may amend or repeal the provisions for the withholding of debt service payments. Other withholding provisions of the *Public School Code* or the *Debt Act* may limit the effectiveness of the withholding provisions for debt service and periodic scheduled payments, and enforcement may also be limited by bankruptcy, insolvency, or other laws of equitable principles affecting the enforcement of creditors' rights generally. No assurance can be given that any debt service payments subject to the *Public School Code* and the *Debt Act* withholding provisions, respectively, will be received on the date that the debt service payments or periodic scheduled payments are due. See "SECURITY FOR THE 2007 BONDS – LOAN AGREEMENTS – Loan Agreements with School Districts" for further discussion.

Scheduled Amortization of Loans

Loans from the DVRFA are amortized over a period that approximates the useful life of the projects funded from the loans. The amortization period of a loan cannot exceed the maturity of the DVRFA's bond issue that was used to fund the loan. A schedule of the projected annual loan amortization of the DVRFA's loan programs (for

Loans Outstanding as of June 1, 2007) is set forth below. The DVRFA expects to receive large prepayments in 2007 of construction loans originated from proceeds of the 1986 Bonds. The DVRFA expects to use these prepayments to originate new construction loans.

Amortization of Loans Outstanding as of June 1, 2007

			1997 Bonds				
Year	*1985 Bonds*	*1986 Bonds*	*Loan to be Transferred* (1)	*Loans NOT Transferred*	*1998 Bonds*	*2002 Bonds*	*Total*
2007	$ 9,395,326	$ 85,583,000 (2)	$ 1,254,000	$ 5,706,000	$ 8,193,000	$ 22,423,000	$ 132,554,326
2008	7,860,228	3,362,000	1,302,000	3,006,000	11,117,000	20,247,000	46,894,228
2009	8,754,454	3,701,000	1,354,000	3,107,000	11,288,000	22,350,000	50,554,454
2010	7,553,221	1,720,500	809,000	2,575,000	11,394,000	17,463,000	41,514,721
2011	7,832,690	1,726,500	1,020,000	2,745,000	10,229,000	18,282,000	41,835,190
2012	9,374,871	470,000	569,000	2,840,000	10,054,000	19,522,000	42,829,871
2013	6,736,779	104,000	657,000	2,949,000	10,187,000	19,551,000	40,184,779
2014	6,812,927	110,000	656,000	2,997,000	11,040,000	20,396,000	42,011,927
2015	7,052,333	38,000	649,000	3,126,000	10,931,000	21,371,000	43,167,333
2016	7,008,614	40,000	1,875,000	3,210,000	8,885,000	23,125,000	44,143,614
2017	7,460,000		7,938,000	3,320,000	11,418,000	22,581,000	52,717,000
2018	7,729,000		8,295,000	3,221,000	10,556,000	16,539,000	46,340,000
2019	11,260,000		8,767,000	2,264,000	10,969,000	15,033,000	48,293,000
2020	11,353,000		9,165,000	2,202,000	11,884,000	13,955,000	48,559,000
2021			9,581,000	2,167,000	10,999,000	15,401,000	38,148,000
2022			9,005,000	2,016,000	11,376,000	15,861,000	38,258,000
2023				2,020,000	11,818,000	7,813,000	21,651,000
2024				1,195,000	10,497,000	3,778,000	15,470,000
2025				1,135,000	10,166,000	3,827,000	15,128,000
2026				706,000	10,156,000	4,006,000	14,868,000
2027				623,000	9,812,000	3,857,000	14,292,000
2028					7,052,000	3,036,000	10,088,000
2029						4,675,000	4,675,000
2030						4,214,000	4,214,000
2031						1,835,000	1,835,000
2032						1,485,000	1,485,000
Total	$ 116,183,443	$ 96,855,000	$ 62,896,000	$ 53,130,000	$ 230,021,000	$ 342,626,000	$ 901,711,443
Average Maturity	7.07	0.43	11.71	11.51	10.58	8.75	8.48

(1) Loans that will be transferred to the 2007 Bonds when the 1997 A Bonds are redeemed. Preliminary, subject to change.
(2) Principally consists of prepayments from Chester County and Delaware County expected to be received in July 2007.

Source: Calhoun, Baker Inc.

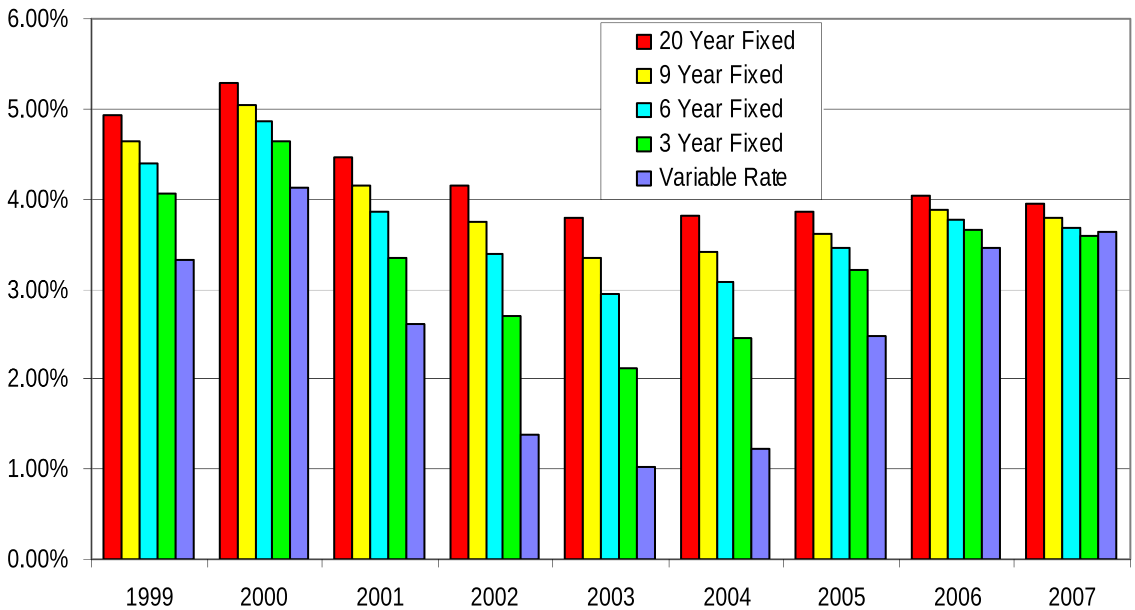
Competitive Advantages of the DVRFA's Loans

The DVRFA believes that its loan programs have been successful due to the low issuance costs, administrative fees, and interest rates of the loans. Currently, the DVRFA assesses an origination fee equal to 0.40% of the principal amount of the loans. The only additional costs that Participants presently incur are the fees for their solicitors or advisors to review documents, advertising costs, and application fees to the Commonwealth of Pennsylvania for approval of the debt of the borrower or its guarantor.

The variable rate loan continues to be the most popular offering of the DVRFA. DVRFA variable rate loans can be used for construction or permanent financing. The average interest rate of the DVRFA's variable rate loan since 1999 has been approximately 2.51%, the average in 2006 was 3.45%, and the average in 2007, as of June 1, was 3.68%. The variable rate option is available to Participants in all of the DVRFA's loan programs.

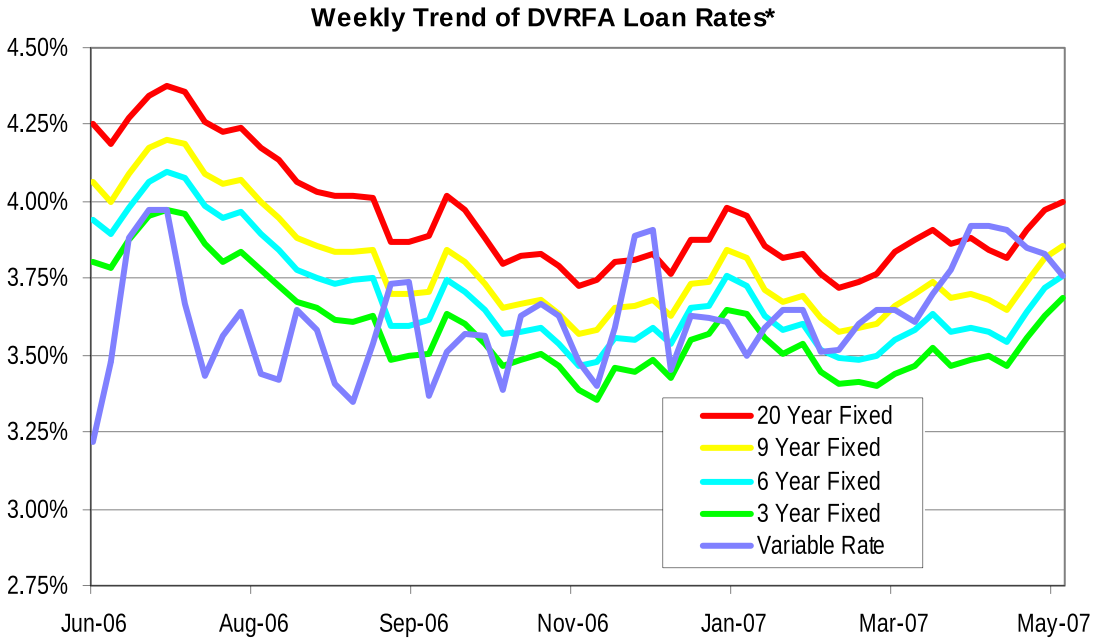
The DVRFA's loan programs for the 1997 Bonds, 1998 Bonds, and 2002 Bonds also offer fixed rate options that are not available with traditional bond issues. All or a portion of the loan may be converted to a fixed rate. The fixed rate may be set for any period. Increasingly, Participants in these loan programs are structuring loans that are a combination of fixed and variable rates with the fixed rates set for periods shorter than the maturity. This type of structure affords Participants more options to manage their interest rate risk and allows the Participants to avoid the costs of refundings. Below are charts that show the annual averages of DVRFA's fixed and variable rate loans since 1999 and the weekly trend for the past year for the week ending June 1, 2007.

Annual Averages of Fixed and Variable Loan Rates*



* Principal is amortized to provide level debt at the 20 Year Fixed Rate. Rates do not include the Monthly Finance Charge.

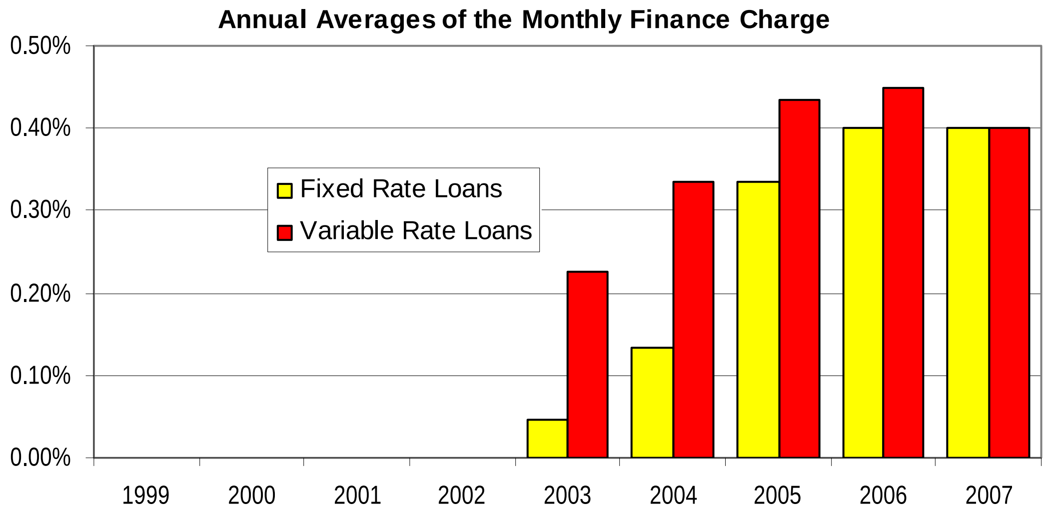
Source: Calhoun, Baker Inc.



* Principal is amortized to provide level debt at the 20 Year Fixed Rate. Rates do not include the Monthly Finance Charge.

Source: Calhoun, Baker Inc.

The DVRFA may assess a Monthly Finance Charge on the loans of Participants to fund Administrative Expenses. For the 1985 Bonds and the 1986 Bonds, these Administrative Expenses are principally credit facility and remarketing fees. For the 1997 Bonds, 1998 Bonds, and 2002 Bonds, these Administrative Expenses are principally net payments under interest rate swap agreements. Historically, the DVRFA has used fund equity to subsidize these costs. In 2003, the DVRFA began to assess a Monthly Finance Charge on all of its loan programs. Due to the low interest rates in the aftermath of September 11, 2001, and the low amount of funds available for investment, the DVRFA's investment income declined dramatically, and the DVRFA's fund equity was not sufficient to cover all of these costs and maintain the liquidity of the loan programs. The Monthly Finance Charge reached a high of 0.50% on variable rate loans and 0.40% on fixed rate loans in January 2006. In August 2006, the Monthly Finance Charge was reduced to 0.40% on variable rate loans for the loan programs of the 1997 Bonds, 1998 Bonds, and 2002 Bonds and was reduced to 0.30% on variable rate loans for the loan programs of the 1985 Bonds and 1986 Bonds. The Administrator monitors the need for and the adequacy of the Monthly Finance Charge. Below is a chart of the average annual Monthly Finance Charge assessed by DVRFA since 1999.



Projection of Demand for Loans

Projection of Demand for Loans

In order to assess potential interest in the Loan Program of the 2007 Bonds, the Administrator conducted a survey (the "Demand Survey"). The Administrator contacted all of the Political Subdivisions located in the Counties. In addition, any Political Subdivision outside of the Counties that was a current or past DVRFA borrower was included in the survey. The representatives of Political Subdivisions included in the Demand Survey (each, a "Respondent") answered the questions contained in the survey in telephone calls, emails, or faxes. The Administrator contacted a total of 360 Respondents (7 counties, 70 school districts, 148 townships, 88 boroughs, and 47 authorities). A total of 70 Respondents executed and returned the surveys or applications; 22 Respondents provided information, but did not execute the Demand Survey.

The Demand Survey does not include estimates of refunding requirements. The results of the Demand Survey together with information received from the loan applications received by the DVRFA, are shown below. Total capital expenditures in excess of $1.4 billion are projected. Respondents that have loans from the DVRFA currently outstanding account for approximately 59% of the estimated capital expenditures, nearly $826 million. Former borrowers from DVRFA account for 9% of the estimated capital expenditures, $134 million.

Delaware Valley Regional Finance Authority
Survey of Estimated Capital Expenditures

	Amount of Expected Capital Expenditures				
	2007	*2008*	*2009*	*2010*	*Total*
Location of Respondent					
Bucks County	$ 39,858,264	$ 236,797,620	$ 178,534,875	$ 40,790,695	$ 495,981,454
Chester County	112,041,293	114,768,636	100,035,077	29,714,851	356,559,857
Delaware County	90,547,500	18,367,000	29,451,000	15,524,500	153,890,000
Montgomery County	155,330,000	100,400,000	83,850,000	76,400,000	415,980,000
Outside the "Counties" (1)	16,880,000	650,000	900,000	300,000	18,730,000
Total	$ 414,657,057	$ 470,983,256	$ 392,770,952	$ 162,730,046	$ 1,441,141,311
Type of Respondent					
Counties	$ 80,495,293	$ 218,088,636	$ 168,702,077	$ 82,914,851	$ 550,200,857
School Districts	222,000,000	113,000,000	135,000,000	73,000,000	543,000,000
Other	112,161,764	139,894,620	89,068,875	6,815,195	347,940,454
Total	$ 414,657,057	$ 470,983,256	$ 392,770,952	$ 162,730,046	$ 1,441,141,311
Source of Estimates					
Executed Survey or Application Submitted (2)					
Current Borrower (3)	$ 166,927,057	$ 176,718,256	$ 143,382,952	$ 110,130,046	$ 597,158,311
Past Borrower (4)	-	-	20,000,000	-	20,000,000
Not a Current Borrower (5)	130,580,000	74,965,000	53,888,000	1,600,000	261,033,000
Subtotal	297,507,057	251,683,256	217,270,952	111,730,046	878,191,311
Information Provided by Telephone, Fax or e-mail (6)					
Current Borrower (3)	17,150,000	133,300,000	90,500,000	18,000,000	258,950,000
Past Borrower (4)	14,000,000	50,000,000	50,000,000	-	114,000,000
Not a Current Borrower (5)	86,000,000	36,000,000	35,000,000	33,000,000	190,000,000
Subtotal	117,150,000	219,300,000	175,500,000	51,000,000	562,950,000
Total	$ 414,657,057	$ 470,983,256	$ 392,770,952	$ 162,730,046	$ 1,441,141,311

(1) Includes only Respondents that are current or past DVRFA borrowers.
(2) Either an executed survey was returned or a loan application was submitted.
(3) Respondent has at least one loan outstanding with the DVRFA.
(4) Respondent had at least one loan outstanding with the DVRFA in the past.
(5) Respondent does not have any loans currently outstanding with the DVRFA.
(6) Information to complete the survey was given on the telephone, fax, or email, but the survey was not returned.

Source: Calhoun, Baker Inc.

Based upon the applications for new loans, written loan commitments, expressions of interest in new loans, analysis of financings during the last three years, results of the Demand Survey, and the DVRFA's history of loan origination, the Administrator reasonably expects that the demand for the Loan Program will be sufficient to utilize the net proceeds of the 2007 Bonds during the next three years. As of June 12, 2007, DVRFA has written loan commitments in the aggregate amount of $30,445,000.

The Administrator's projections of loan demand and the availability of funds by December 31, 2007 are shown below. The projections include loans in process (including the written loan commitments), loan applications received and being prepared, and estimated repayments of Loan Principal from the loan programs of all of the DVRFA's bond series. DVRFA would not have sufficient funds for the projected demand for loans in 2007 without the issuance of the 2007 Bonds.

Projection of Funds Available for Loans as of December 31, 2007

	1985 Bonds	*1986 Bonds*	*1997 Bonds*		*1998 Bonds*	*2002 Bonds*	*2007 Bonds*		*Total*
Net Proceeds Available for Loans	$ 120,531,250	$ 103,500,000	$ 63,000,000	(1)	$ 270,000,000	$ 371,200,000	$ 144,050,000		$ 1,072,281,250
Loans as of June 1, 2007									
Loans Outstanding	(116,183,443)	(96,855,000)	(53,130,000)	(1)	(230,021,000)	(342,626,000)	(62,896,000)	(1)	(901,711,443)
Loans in Process (3)	-	-	(5,220,000)		(39,100,000)	(28,000,000)	(30,445,000)		(102,765,000)
Estimated Loan Principal Repayments in 2007 (2)	9,395,326	85,583,000	5,706,000	(1)	8,193,000	22,423,000	1,254,000	(1)	132,554,326
Potential Funds Available	$ 13,743,133	$ 92,228,000	$ 10,356,000		$ 9,072,000	$ 22,997,000	$ 51,963,000		200,359,133
Loan Applications Pending (3)									(131,500,000)
Estimated Funds Available for New Loans on December 31. 2007									$ 68,859,133

(1) Reflects the redemption of the 1997 A Bonds and the transfer of Loan Agreements to the 2007 Bonds.
(2) Estimated Loan Principal payments to be received between June 1, 2007, and December 31, 2007.
(3) Preliminary, subject to change.

Source: Calhoun, Baker Inc.

The DVRFA expects to continue to be successful in originating new loans. However, the DVRFA can give no assurance that it will continue to enjoy the competitive advantages of origination costs, administrative costs, and interest rates that have made the DVRFA's loan programs an attractive financing option.

Loan Program of the 2007 Bonds

The Loan Program of the 2007 Bonds is intended to increase the amount of funds available for loans and to augment the loan programs of the 1997 Bonds, 1998 Bonds, and 2002 Bonds (the "Long-Term Financing Bonds"). The 2007 Bonds will allow DVRFA to meet the expected demand for new loans in 2007, and the 2007 Bonds will allow DVRFA to utilize the Long-Term Financing Bonds efficiently until they mature. The maturity dates of the loans originated by DVRFA are limited to the maturity date of the series of the DVRFA bonds used to fund the loans. DVRFA expects to originate more loans in the future with funding split between the 2007 Bonds and the Long-Term Financing Bonds. The Loan Principal due after the maturity dates of the Long-Term Financing Bonds would be funded by the 2007 Bonds. These loans would be evidenced by a Participant Note from each series of DVRFA bonds that provides funds to originate the loans.

FINANCIAL OPERATIONS

The DVRFA's principal sources of revenues are (i) interest payments on loans received from Participants, (ii) investment earnings on reserve funds, revolving loan funds, and other available funds, (iii) Monthly Finance Charges, (iv) origination fees for new loans, and (v) receipts from interest rate swap agreements. The DVRFA's principal expenses are (i) interest on the DVRFA's bonds, (ii) payments on interest rate swap agreements, (iii) credit facility fees, (iii) remarketing fees, and (iv) other administrative costs.

The DVRFA has utilized a portion of its fund equity to pay a portion of the issuance costs of new bond issues and to provide liquidity for new loan programs. The DVRFA expects to continue to commit a portion of its fund equity for loan programs of future bond issues.

See "Appendix I: FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006" for additional information and the complete audited financial statements of the DVRFA for the year ended December 31, 2006.

FINANCING ACTIVITIES

The DVRFA expects to issue a new series of bonds within the next two years to provide additional funding for its loan programs. The estimated total debt service payments of the DVRFA are set forth in the schedule below. See "Appendix I: FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006" for additional information.

Delaware Valley Regional Finance Authority
Estimated Debt Service Payments

Year	1985 Bonds *Principal* (1)	1985 Bonds *Interest* (2)	1986 Bonds *Principal* (3)	1986 Bonds *Interest* (2)	1997 Bonds *Principal* (4)	1997 Bonds *Interest*	1998 Bonds *Principal* (3)	1998 Bonds *Interest*	2002 Bonds *Principal* (4)	2002 Bonds *Interest*	2007 Bonds *Principal* (5)	2007 Bonds *Interest* (6)	Total Debt Service *Principal*	Total Debt Service *Interest*	Total Debt Service *Total*
2007		$ 5,075,000		$ 4,025,000	$ 70,000,000	$ 6,876,259		$ 16,500,000		$ 21,250,000		$ 3,286,111	$ 70,000,000	$ 57,012,370	$ 127,012,370
2008		5,075,000		4,025,000		4,153,000		16,500,000		21,250,000		6,500,000	-	57,503,000	57,503,000
2009		5,075,000		4,025,000		4,153,000		16,500,000		21,250,000		6,500,000	-	57,503,000	57,503,000
2010		5,075,000		4,025,000		4,153,000		16,500,000		21,250,000		6,500,000	-	57,503,000	57,503,000
2011		5,075,000		4,025,000		4,153,000		16,500,000		21,250,000		6,500,000	-	57,503,000	57,503,000
2012		5,075,000		4,025,000		4,153,000		16,500,000	125,000,000	21,250,000		6,500,000	125,000,000	57,503,000	182,503,000
2013		5,075,000		4,025,000		4,153,000		16,500,000		14,375,000		6,500,000	-	50,628,000	50,628,000
2014		5,075,000		4,025,000		4,153,000		16,500,000		14,375,000		6,500,000	-	50,628,000	50,628,000
2015		5,075,000		4,025,000		4,153,000		16,500,000		14,375,000		6,500,000	-	50,628,000	50,628,000
2016		5,075,000	115,000,000	2,348,000		4,153,000		16,500,000		14,375,000		6,500,000	115,000,000	48,951,000	163,951,000
2017	5,000,000	5,060,000			42,000,000	4,153,000		16,500,000	125,000,000	14,375,000		6,500,000	172,000,000	46,588,000	218,588,000
2018	5,000,000	4,885,000				1,801,000	50,000,000	16,500,000		7,187,500		6,500,000	55,000,000	36,873,500	91,873,500
2019	10,000,000	4,696,000				1,801,000		13,750,000		7,187,500		6,500,000	10,000,000	33,934,500	43,934,500
2020	125,000,000	4,010,000				1,801,000		13,750,000		7,187,500		6,500,000	125,000,000	33,248,500	158,248,500
2021						1,801,000		13,750,000		7,187,500		6,500,000	-	29,238,500	29,238,500
2022						1,801,000		13,750,000		7,187,500		6,500,000	-	29,238,500	29,238,500
2023						1,801,000		13,750,000		7,187,500		6,500,000	-	29,238,500	29,238,500
2024						1,801,000		13,750,000		7,187,500		6,500,000	-	29,238,500	29,238,500
2025						1,801,000		13,750,000		7,187,500		6,500,000	-	29,238,500	29,238,500
2026						1,801,000		13,750,000		7,187,500		6,500,000	-	29,238,500	29,238,500
2027					28,000,000	1,801,000		13,750,000		7,187,500	50,000,000	6,500,000	78,000,000	29,238,500	107,238,500
2028							250,000,000	13,750,000		7,187,500		4,425,000	250,000,000	25,362,500	275,362,500
2029										7,187,500		4,425,000	-	11,612,500	11,612,500
2030										7,187,500		4,425,000	-	11,612,500	11,612,500
2031										7,187,500		4,425,000	-	11,612,500	11,612,500
2032	-	-	-	-	-	-	-	-	125,000,000	7,187,500		4,425,000	125,000,000	11,612,500	136,612,500
2033												4,425,000	-	4,425,000	4,425,000
2034												4,425,000	-	4,425,000	4,425,000
2035												4,425,000	-	4,425,000	4,425,000
2036												4,425,000	-	4,425,000	4,425,000
2037											60,000,000	4,425,000	60,000,000	4,425,000	64,425,000
2038												1,750,000	-	1,750,000	1,750,000
2039												1,750,000	-	1,750,000	1,750,000
2040												1,750,000	-	1,750,000	1,750,000
2041												1,750,000	-	1,750,000	1,750,000
2042											50,000,000	1,250,000	50,000,000	1,250,000	51,250,000
Total	$ 145,000,000	$ 69,401,000	$ 115,000,000	$ 38,573,000	$ 140,000,000	$ 66,416,259	$ 300,000,000	$ 335,500,000	$ 375,000,000	$ 307,187,500	$ 160,000,000	$ 185,786,111	$ 1,235,000,000	$ 1,002,863,870	$ 2,237,863,870

(1) Due on December 1.
(2) The variable interest rate is assumed to be 3.50%.
(3) Due on August 1.
(4) Due on July 1.
(5) Due on June 1.
(6) The variable rate is assumed to be 3.50% for the Series B Bonds, 4.15% for the 20-year Series C Bonds, and 4.25% for the 30-year Series C Bonds.

Source: Calhoun, Baker Inc.

TAX MATTERS

FEDERAL

Exclusion of Interest from Gross Income

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2007 Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, on the assumption that DVRFA and each Participant complies with its covenants relating to certain requirements of the *Internal Revenue Code of 1986*, as amended (the "*Code*"), and interest on the 2007 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2007 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit).

In rendering its opinion, Bond Counsel has assumed compliance by DVRFA with its respective covenants contained in the Indenture and in the Tax Compliance Certificate, and each Participant with their covenants in their respective Loan Agreement and Participant Tax Compliance Certificate and Agreement executed in connection with the origination of Loans that are intended to comply with the provisions of the *Code* relating to actions to be taken by DVRFA and each Participant in respect of the 2007 Bonds after the issuance thereof to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the 2007 Bonds. These covenants relate to, inter alia, the use of and investment of proceeds of the 2007 Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the 2007 Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the 2007 Bonds.

Other Federal Tax Matters

Ownership or disposition of the 2007 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the 2007 Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the *Code*, who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2007 Bonds.

BOND COUNSEL IS NOT RENDERING ANY OPINION AS TO ANY FEDERAL TAX MATTERS OTHER THAN AS DESCRIBED UNDER THE CAPTION "EXCLUSION OF INTEREST FROM GROSS INCOME" AND EXPRESSLY STATED IN "APPENDIX IV: FORM OF BOND COUNSEL OPINION." PURCHASERS OF THE 2007 BONDS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH REGARD TO ALL FEDERAL TAX MATTERS.

PENNSYLVANIA

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as presently enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the 2007 Bonds are exempt from personal property taxes in Pennsylvania. However, under the laws of the Commonwealth of Pennsylvania, as presently enacted and construed, any profits, gains or income derived from the sale, exchange or other disposition of the 2007 Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth. The 2007 Bonds and the interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth of Pennsylvania under applicable state and local tax laws. See "Appendix IV: FORM OF BOND COUNSEL OPINION." **PURCHASERS OF THE 2007 BONDS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH REGARD TO ALL STATE AND LOCAL TAX MATTERS.**

LEGAL MATTERS

The issuance and delivery of the 2007 Bonds are subject to approval of legality by Blank Rome LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the DVRFA by Carmen P. Belefonte, Esq., Media, Pennsylvania, Solicitor to the DVRFA and for the Underwriters by Lamb McErlane PC, West Chester, Pennsylvania.

LEGALITY FOR INVESTMENT

Applicable laws of the Commonwealth of Pennsylvania provide that the 2007 Bonds are legal investments for funds held by, among others, banks, savings banks, trust companies, insurance companies or associations and fiduciaries. The 2007 Bonds are authorized security for deposits of funds of the Commonwealth of Pennsylvania and any political subdivision thereof.

LIMITATION OF REMEDIES UNDER THE FEDERAL BANKRUPTCY LAWS

Enforcement of the rights of the holders of the 2007 Bonds may be limited by and subject to the provisions of Federal bankruptcy laws, as now or hereafter enacted, or to other laws or equitable principles which may affect enforcement of creditors' rights.

NO LITIGATION AFFECTING THE 2007 BONDS

No litigation or legal proceeding of any nature is now pending or, to the knowledge of the DVRFA, threatened that (i) seeks to restrain or enjoin the issuance, sale, execution, or delivery of the 2007 Bonds, (ii) contests the validity of the 2007 Bonds or any actions of the DVRFA with respect to the issuance, sale, execution or delivery of the 2007 Bonds, (iii) contests the pledge or application of any moneys or security provided for the payment of the 2007 Bonds, or (iv) contests the existence of the DVRFA or the powers of the DVRFA to accomplish the purposes for which the 2007 Bonds are being issued.

FINANCIAL STATEMENTS OF THE DVRFA

Appendix I hereto contains the audited financial statements of the DVRFA for the year ended December 31, 2006, together with a report thereon by Parente Randolph, LLC, independent accountants. Such financial statements and report are included herein with the consent of Parente Randolph, LLC.

ADDITIONAL INFORMATION

Additional information concerning the DVRFA is available to the public. Persons wishing to obtain copies of the DVRFA's Financial Statements for the year ended December 31, 2006, the Resolution, or the Indenture should address such requests to:

Calhoun, Baker Inc.
Administrator
Delaware Valley Regional Finance Authority
1811 Bethlehem Pike
Flourtown Commons, Suite 350
Flourtown, PA 19031
Telephone: 215-402-0270

The DVRFA may charge a fee for costs of reproduction and mailing of the information requested.

UNDERWRITING

The 2007 Bonds are being purchased by Citigroup Global Markets Inc., on behalf of itself and as representative for Boenning & Scattergood, Inc., First American Municipals, Inc., and Merrill Lynch & Co. (collectively, the “Underwriters”). The Underwriters have agreed to purchase the 2007 Bonds from the DVRFA, subject to the terms of the purchase agreement between the DVRFA and the Underwriters (the “Bond Purchase Agreement”), at a purchase price of $160,673,415(which is equal to the par amount of $160,000,000 less (i) the underwriters’ discount of $692,185 plus (ii) the net original issue premium of $1,365,600. The Bond Purchase Agreement provides that all of the 2007 Bonds will be purchased if any are purchased and is subject to certain terms and conditions set forth therein. The Underwriters may offer and sell the 2007 Bonds to certain dealers (including dealers depositing 2007 Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices stated on the cover page hereof may be changed from time to time by the Underwriters without prior notice.

Merrill Lynch, Pierce, Fenner & Smith Incorporated will serve as the initial Remarketing Agent for the 2007 B Bonds while bearing interest at a Weekly Interest Rate after the initial sale and purchase of the 2007 Bonds by the Underwriters.

RATINGS

Moody’s and S&P have assigned the 2007 A Bonds and the 2007 C Bonds ratings of “Aa2” and “AA-”, respectively, subject to their issuance, based upon information provided to them by the DVRFA.

Moody’s has assigned a rating of “Aa2\VMIG 1” to the 2007 B Bonds, subject to their issuance, based upon information provided to them by the DVRFA. The Moody’s rating is based upon the Letter of Credit issued by BayernLB and the evaluation of the creditworthiness of BayernLB.

DVRFA expects S&P to assign a rating of “AAA\A-1” to the 2007 B Bonds, prior to the delivery of the 2007 B Bonds, subject to their issuance, based upon information provided to them by the DVRFA. The S&P rating will reflect the application of joint obligation criteria and will be based upon the Letter of Credit, the rating of the DVRFA, the structure of the transaction, and the evaluation of the creditworthiness of BayernLB. The current S&P ratings of BayernLB are “A” and “A1”, respectively, for long term obligations and short term obligations. The S&P rating of the 2007 B Bonds will be based upon the joint correlation of defaults by both BayernLB and the DVRFA.

Any explanation of these ratings may only be obtained from the rating agencies. Generally, rating agencies base their ratings on such information and on their own investigations, studies and assumptions. No assurance can be given that such ratings will be maintained for any given period of time or that they may not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market prices of the 2007 Bonds.

CONTINUING DISCLOSURE

Under the terms of the Indenture, the DVRFA agrees to provide annual financial information to the municipal markets in accordance with the requirements of Rule 15c2-12 promulgated under the *Securities and Exchange Commission Act of 1934*, as amended and supplemented from time to time. The DVRFA covenants, for the benefit of the beneficial owners of the 2007 Bonds, to provide to each nationally recognized municipal securities information repository (“NRMSIR”) or electronically to any central repository authorized pursuant to Rule 15c2-12, and to the appropriate information depository of the Commonwealth of Pennsylvania, if any (“SID”), annual audited financial statements presented in conformity with generally accepted accounting principles, together with updates of material financial and operational data. Such financial statements and tabular information shall be provided within 180 days following the end of each fiscal year. If such financial statements are not audited, the DVRFA shall also provide audited financial statements when and if available.

The DVRFA also covenants, for the benefit of the beneficial owners of the 2007 Bonds, to provide to each NRMSIR or to the Municipal Securities Rulemaking Board (“MSRB”), or electronically to any central repository authorized pursuant to Rule 15c2-12, and to the SID (A) prompt notice of a failure to provide the required financial statements or tabular information in a timely manner and (B) prompt notice of any of the following events with respect to the 2007 Bonds, if material:

i) Principal and interest payment delinquencies of the 2007 Bonds;

ii) Non-payment related defaults with respect to the 2007 Bonds;

iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

iv) Unscheduled draws on credit facility enhancements reflecting financial difficulties;

v) Substitution of credit or liquidity providers, or their failure to perform;

vi) Adverse tax opinions or events affecting the tax-exempt status of the 2007 Bonds;

vii) Modifications to rights of holders of the 2007 Bonds;

viii) Bond calls;

ix) Defeasances;

x) Release, substitution, or sale of property securing repayment of the 2007 Bonds; and

xi) Rating changes.

These covenants, or any part thereof, may be revised from time to time as permitted or required by applicable law, without the consent of the Bondholders, and may be terminated upon the defeasance of all outstanding 2007 Bonds, or other arrangement, whereby the DVRFA is released from any further obligation with respect to the 2007 Bonds. These covenants may also be terminated, without the consent of the Bondholders, at such time as continuing disclosure is no longer required by applicable law. The DVRFA shall promptly notify each NRMSIR, the MSRB and the SID of any revision or termination of the disclosure covenants. The sole remedy for a breach by the DVRFA of its covenants to provide financial statements, tabular information and notices of material events shall be an action to compel performance of such covenants. Under no circumstances may monetary damage be assessed or recovered, nor shall any such breach constitute an Event of Default with respect to the 2007 Bonds or a failure to comply with any provision of the 2007 Bonds for purposes of the *Authorities Act*.

The Authorized Officers of the DVRFA are authorized to revise or terminate, in whole or in part, any covenants described herein, provided that any such action is permitted or required by applicable law.

In addition, the DVRFA covenants to cause each 2007 Series Participant that has entered into or will enter into a Loan Agreement with the DVRFA to enter into a written undertaking with respect to continuing disclosure containing terms and conditions substantially the same as described herein.

UNDERLYING DOCUMENTS

The descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each document for complete details of all terms and conditions. Copies of such documents are available for inspection during normal business hours at the principal corporate trust office or the Trustee in Philadelphia, Pennsylvania. All statements herein are qualified in their entirety by the terms of each such document.

MISCELLANEOUS

The Bank has furnished only the information included herein under the caption "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT - BAYERISCHE LANDESBANK."

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reasonable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not representations of fact.

The DVRFA has duly authorized the execution, delivery, and distribution of this Official Statement.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

By: /s/ JOSEPH E. BRION
CHAIRMAN

Joseph E. Brion

Digitally signed by Joseph E. Brion
DN: cn=Joseph E. Brion, o=Delaware Valley Regional Finance Authority, ou=Chairman, email=lcalhoun@calhounbaker.com, c=US
Date: 2007.06.22 17:45:51 -04'00'

Appendix I:

FINANCIAL STATEMENTS OF THE DELAWARE VALLEY REGIONAL FINANCE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2006

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006
&
INDEPENDENT AUDITORS' REPORT
&
ADDITIONAL INFORMATION

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PARENTERANDOLPH
Accountants & Consultants
The Power of Ideas

INDEPENDENT AUDITORS' REPORT

Board of Directors
Delaware Valley Regional Finance Authority
Media, Pennsylvania:

We have audited the accompanying basic financial statements of the Delaware Valley Regional Finance Authority (the "Authority") as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Valley Regional Finance Authority as of December 31, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Parente Randolph, LLC
Philadelphia, Pennsylvania
April 10, 2007

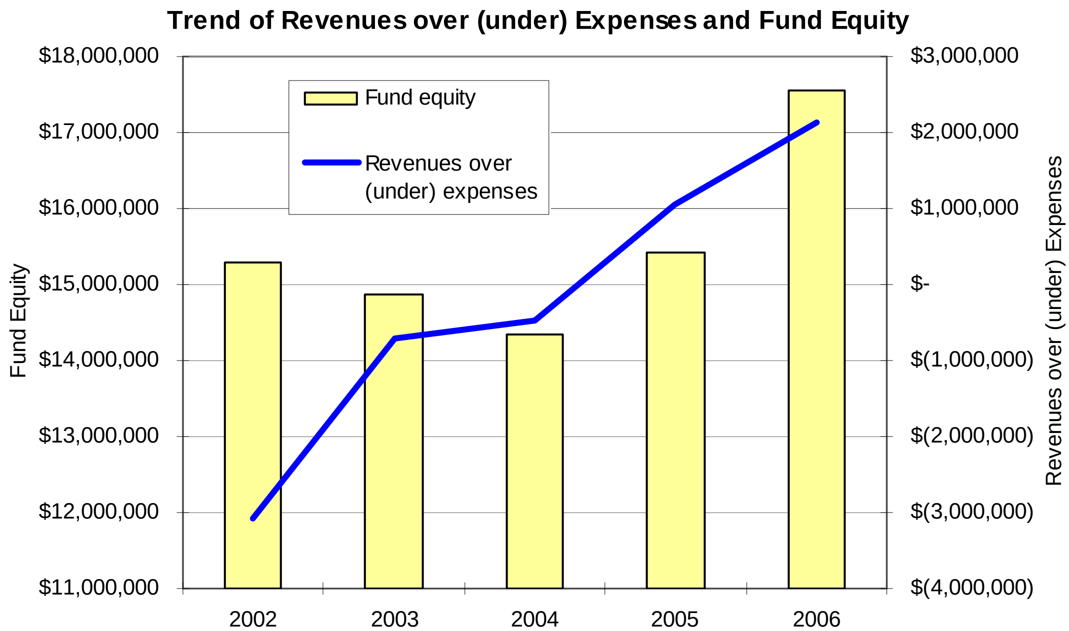
DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

SUMMARY OF 2006 RESULTS

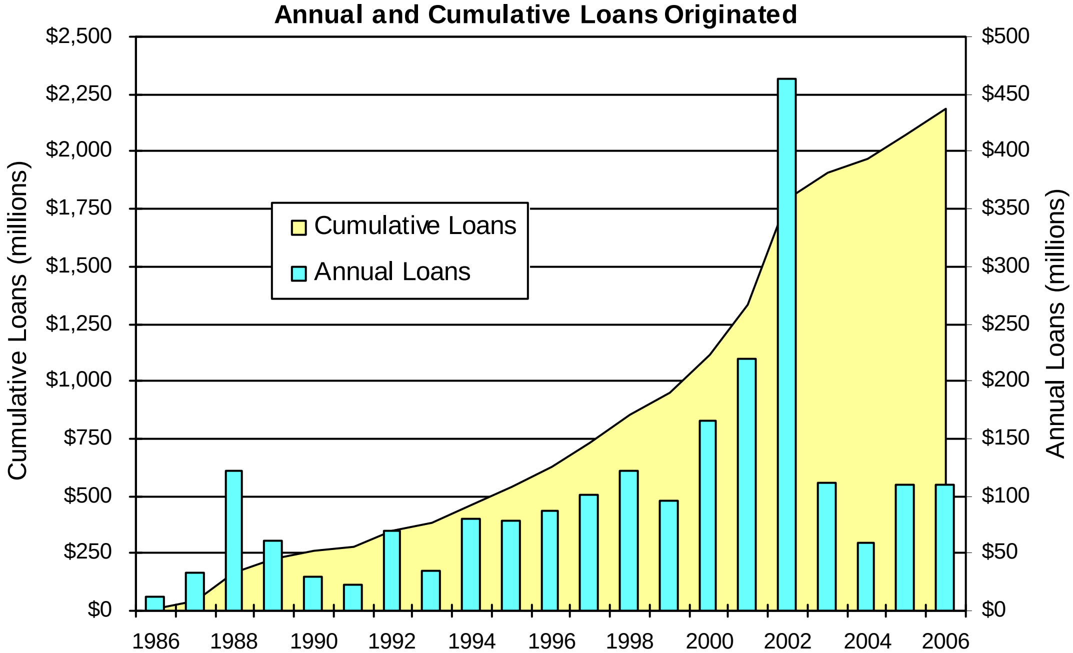
The Delaware Valley Regional Finance Authority (the "Authority") experienced an excess of revenues over expenses of approximately $2.1 million in 2006, and fund equity increased commensurately to approximately $17.6 million. The results reflected a continuation of the return to more normal operating conditions that began in 2005. Total revenues increased by approximately 11%, total expenses by approximately 10%, and fund equity by nearly 14% in 2006.



The operating results of the Authority in the period from 2002 to 2004 were depressed by the low, short term, interest rates that prevailed in the aftermath of 9-11 and by the success of the Authority in originating new loans. The combination of these events dramatically reduced investment earnings. Short term investment rates were at historically low levels, and the Authority's funds available for investment were well below normal balances. In 2002, the Authority used its fund equity to subsidize (i) the issuance of a $375 million bond issue to provide additional funding for the Authority's loan programs and (ii) the costs to operate the $1.1 billion loan programs. In 2003, for the first time since 1993, the Authority assessed an administrative fee, or finance charge, on all of the participants in its loan programs to restore liquidity. In 2005, short term interest rates began to climb as the Federal Reserve Bank acted to dampen the growth of the economy and to restrain inflation, and the Authority began to receive repayments from the large cohort of loans that was originated in 2002 and 2003. The increased investment earnings and collections of the finance charge lifted the Authority's operating results in 2005 and 2006.

THE AUTHORITY

The Delaware Valley Regional Finance Authority was formed by Bucks, Chester, Delaware, and Montgomery Counties, Pennsylvania (the "Counties") under the provisions of the *Municipality Authorities Act* on December 23, 1985. The Counties created the Authority to provide loans for capital projects to townships, boroughs, school districts, counties, and authorities (collectively, the "Political Subdivisions") located in the Commonwealth of Pennsylvania. Since its creation in 1985, the Authority has provided more than 350 loans with an aggregate principal amount of nearly $2.2 billion to Political Subdivisions (each a "Participant"). In 2006, the Authority originated 19 loans with an aggregate principal amount of approximately $110 million.



Source: Calhoun, Baker Inc.

The governing body of the Authority consists of a Board of five members appointed by the Counties. Each year, at the first meeting in January on a rotating basis, one of the Counties appoints a new member for a five-year term to fill the vacancy created by the expiration of the term of appointment of a Board member. The current members of the Board of the Authority are set forth below.

Members of the Board

Member	*Office*	*Term Expires*	*County*
Joseph E. Brion, Esq.	Chairman	January 2012	Chester
James H. Shacklett, III	Vice Chairman	January 2009	Montgomery
Charles O. Marte, Esq.	Secretary	January 2010	Bucks
Linda A. Cartisano, Esq.	Treasurer	January 2011	Delaware
Joel L. Frank, Esq.	Assistant Secretary and Treasurer	January 2008	Chester

The Authority has no employees. The operations of the Authority are conducted by the Program Administrator, the Solicitor, and the trustees of the bonds issued by the Authority. The Program Administrator, Calhoun, Baker Inc., is responsible for operations, including the marketing of the loan programs, credit review of applicants, investment of funds, and administration of the loan portfolio. Calhoun, Baker Inc. has served as the Program Administrator since January 1989. The Authority's Solicitor, Carmen P. Belefonte, Esq., is responsible for the preparation of loan documents, resolutions, and contracts. Mr. Belefonte has served as Solicitor since the creation of the Authority. The Bank of New York Trust Company, N.A.; Commerce Bank, N.A.; U.S. Bank, National Association; and Wilmington Trust Company, serve as trustees for the bond issues that are currently outstanding. The trustees of the bond issues hold all of the funds and assets of the Authority. The trustees prepare bills to the Participants and collect the loan repayments. Most of the Participants make loan repayments through Automated Clearing House transactions. The trustees make all payments for debt service on bonds, interest rate swap payments, and administrative expenses pursuant to the indenture of the bond series or pursuant to the authorization of a requisition approved by the Board of the Authority.

The Authority's primary objectives for its loan programs are:

i) to provide funding with a lower all-in true interest cost (taking into consideration costs of issuance, interest costs, and annual administrative costs) than the Participants could achieve on their own,
ii) to provide variable rate and fixed rate funding options that would not ordinarily be available to Participants, and
iii) to improve the ability and flexibility of Participants to manage their liabilities.

The Authority seeks to accomplish these objectives by realizing economies of scale, utilizing a revolving loan pool structure, and entering into interest rate swap agreements. The Authority generally issues bonds in an aggregate principal amount sufficient to fund 20 to 50 loans to Participants. By issuing in large principal amounts, the Authority realizes lower costs of issuance than would have been realized if each of the Participants issued a separate bond issue. The Authority uses a revolving loan structure to further reduce the effect of the costs of issuance. When loans are repaid, the repayments are used to originate new loans. This structure spreads the costs of issuance over a larger base of loans. The Authority enters into interest rate swap agreements to minimize costs and to provide both fixed and variable rate loan options to Participants.

LOAN PROGRAMS

Loans from the Authority are limited to projects permitted under the *Local Government Unit Debt Act* (the "*Debt Act*"). Loans must receive approvals from (i) the Program Administrator, (ii) the Board of the Authority, and (iii) either the credit enhancer for the Authority's bonds which are to fund the particular loan or the credit enhancer for the loan. Every loan must be secured with the pledge of the full faith, credit, and taxing power of a local government unit. If a Participant does not have taxing power, its obligations under the loan agreement must be guaranteed by a local government unit that does have taxing power.

Loans to school districts also benefit from the provisions of the *Public School Code* and the *Debt Act*. If any school district fails to pay debt service payments or periodic scheduled payments under a qualified interest rate management agreement (an interest rate swap agreement), the Secretary of Education of the Commonwealth is required to withhold from any subsidy payment due to the school district from the Commonwealth an amount equal to the payments owed and to pay that amount. The withholding provisions are not part of any contract, and future legislation may amend or repeal the provisions for the withholding. Other provisions of the *Public School Code* or the *Debt Act* may limit the effectiveness of the withholding provisions, and enforcement may also be limited by bankruptcy, insolvency, or other laws of equitable principles affecting the enforcement of creditors' rights generally. No assurance can be given that any payments subject to the withholding provisions will be received on the date that the payments are due

Loans from the Authority are subject to the following additional limitations:

i) The Authority may not provide a loan that would constitute a "Tax and Revenue Anticipation Note" under the *Debt Act*.
ii) The Authority may not provide any loans to institutions of health or higher education.

The Authority provides funds for loan programs from the proceeds of bond issues. Each bond issue is a special limited obligation of the Authority. Each bond issue is secured by a pledge of the receipts and revenues of the loans originated with the proceeds of that bond issue. Under the terms of the Covenant Agreement, in the event of a deficiency in the funds of any series of bonds, Excess Funds held under any outstanding bonds would be transferred to the bond issue that was experiencing the deficiency. See "Covenant Agreement" for further discussion.

Five series of bonds issued by the Authority to provide the funds for loans are currently outstanding:

1) $145,000,000 Adjustable Rate Local Government Revenue Bonds, Series of 1985 (the "1985 Bonds"),
2) $115,000,000 Bi-Modal Term Format, Local Government Revenue Bonds, Series of 1986 (the "1986 Bonds"),
3) $140,000,000 Local Government Revenue Bonds, 1997 Series (the "1997 Bonds"),
4) $300,000,000 Local Government Revenue Bonds, Series of 1998 (the "1998 Bonds"), and
5) $375,000,000 Local Government Revenue Bonds, 2002 Series (the "2002 Bonds").

All of the outstanding bond issues employ a revolving loan structure. When Participants repay the principal of their loans, the funds become available to be used to provide new loans.

MARKET AREA

The primary market area of the Authority is in the Counties. The Counties encompass an area of approximately 2,060 square miles and a population of more than 2.3 million people. The Counties contain more than 420 Political Subdivisions. The number and type of Political Subdivision by county are shown in the table below.

Political Subdivisions in the Counties

Type	*Bucks County*	*Chester County*	*Delaware County*	*Montgomery County*	*Total*
Counties	1	1	1	1	4
Boroughs	23	15	27	24	89
Townships	31	57	21	38	147
Cities	0	1	1	0	2
School Districts	13	12	15	22	62
Authorities (1)	28	31	17	42	118
Total	96	117	82	127	422

(1) Includes water, sewer, airport, municipal waste, and multi-purpose authorities.

A high proportion of the Political Subdivisions in the primary market area, and in Pennsylvania generally, do not have published ratings. Many of the Political Subdivisions are small and have not issued public debt. Most of the Political Subdivisions that have issued debt have chosen to issue with municipal bond insurance and without published underlying ratings.

The Authority initially, as a matter of policy of the Board, limited its lending activities to Political Subdivisions located in the Counties. In 2002, in order to provide geographic diversification to its loan portfolio, the Authority began lending to Political Subdivisions in Pennsylvania located outside the Counties; however, pursuant to an amendment to the Authority's Articles of Incorporation, the Authority restricts loans from the 1985 and 1986 Bonds to Participants located in the Counties. The Authority expects that Participants from outside the Counties will be principally Political Subdivisions that have ratings, or in the opinion of the Program Administrator, would be able to secure ratings, of “A3/A-” or higher from Moody’s and S&P. The Authority expects that Political Subdivisions in the Counties will continue to be the principal Participants in its loan programs.

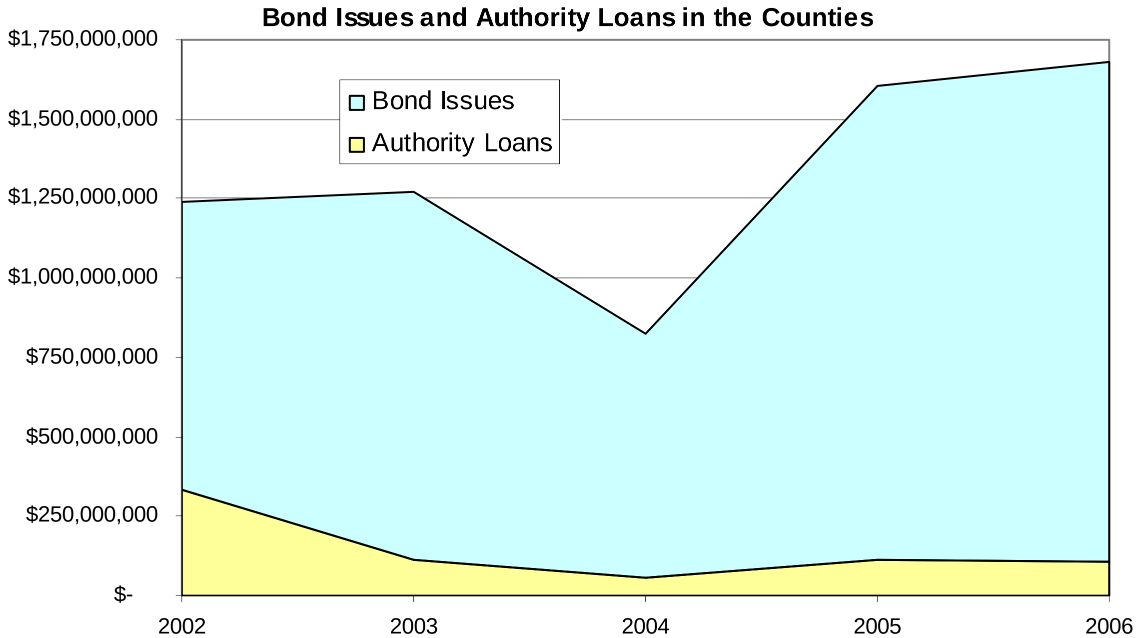
Counties and school districts accounted for 89% of the $542 million of loans originated by the Authority during the period from 1986 to 1995. During this period, the Authority only offered variable rate loans. Generally, the Authority’s loans were either large, construction loans to counties and school districts or small, long-term loans to townships and boroughs. The counties and school districts utilized the loan programs to take advantage of the flexibility, low origination fees, and low interest rates of the variable rate loans. Typically, the townships and boroughs utilized the loan programs because of the low origination fees. Potential borrowers in the $5 - $15 million range usually preferred fixed rate debt, and those Political Subdivisions normally issued their own bonds.

The Authority recognized the demand for a fixed rate loan option. The Authority issued the $21 million 1996 Bonds to fund a dedicated pool of fixed rate loans with no recycling of loan repayments. The Authority then developed a plan for a loan program that could originate either variable rate or fixed rate loans and that could recycle the loan repayments. The Authority issued the 1997, 1998, and the 2002 Bonds to fund this type of loan program, and the Authority was able to offer a competitive fixed rate loan option. Below is a summary of the loans originated by the Authority since 2002.

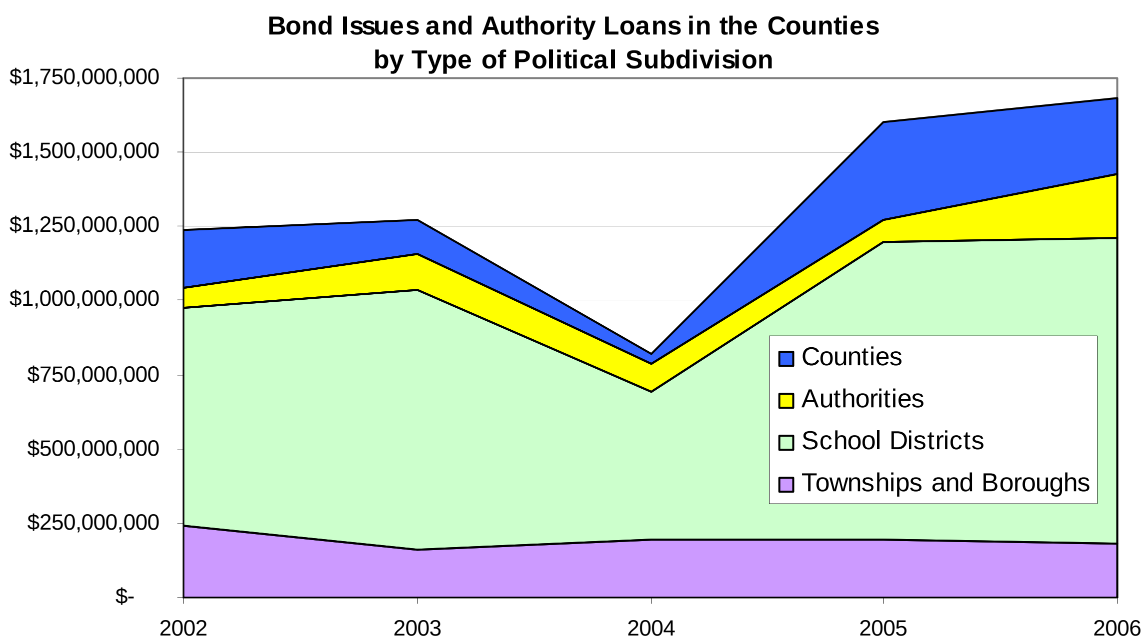
New Loans Originated by Principal Amount

	2002	*2003*	*2004*	*2005*	*2006*	*Total*
Location of Participants						
Bucks County	$ 78,426,000	$ 46,685,000	$ 25,454,000	$ 8,671,000	$ 11,326,000	$ 170,562,000
Chester County	67,172,000	41,127,000	2,700,000	77,917,000	69,800,000	258,716,000
Delaware County	136,865,000	6,200,000	27,415,000	16,775,000	22,517,000	209,772,000
Montgomery County	50,866,000	16,422,000	2,800,000	7,235,000	6,273,000	83,596,000
Other	129,807,000	1,800,000	-	-	-	131,607,000
Total	$ 463,136,000	$ 112,234,000	$ 58,369,000	$ 110,598,000	$ 109,916,000	$ 854,253,000
Type of Participant						
Townships and Boroughs	$ 79,282,000	$ 49,872,000	$ 14,815,000	$ 21,305,000	$ 33,569,000	$ 198,843,000
School Districts	156,190,000	11,220,000	14,804,000	4,675,000	6,147,000	193,036,000
Authorities	12,500,000	720,000	3,750,000	4,000,000	1,700,000	22,670,000
Counties	215,164,000	50,422,000	25,000,000	80,618,000	68,500,000	439,704,000
Total	$ 463,136,000	$ 112,234,000	$ 58,369,000	$ 110,598,000	$ 109,916,000	$ 854,253,000

Total financings (not including bank loans and loans originated by other financing authorities) in the Counties during the period of 2002 to 2006 averaged more than $1.3 billion per year. Authority loans constituted about 10.9% of this total. In 2002, following the closing of the Authority’s 2002 Bonds, the Authority loans were 26.9% of the total. The Authority’s share of the total financings in the Counties dropped in 2003 after the Authority loaned all of the proceeds of the 2002 Bonds. In the subsequent years, the only funds available for new loans were from the repayments received on the loans that had been previously originated. Below is a chart of the Political Subdivision bond issues and the Authority loans in the Counties since 2002.

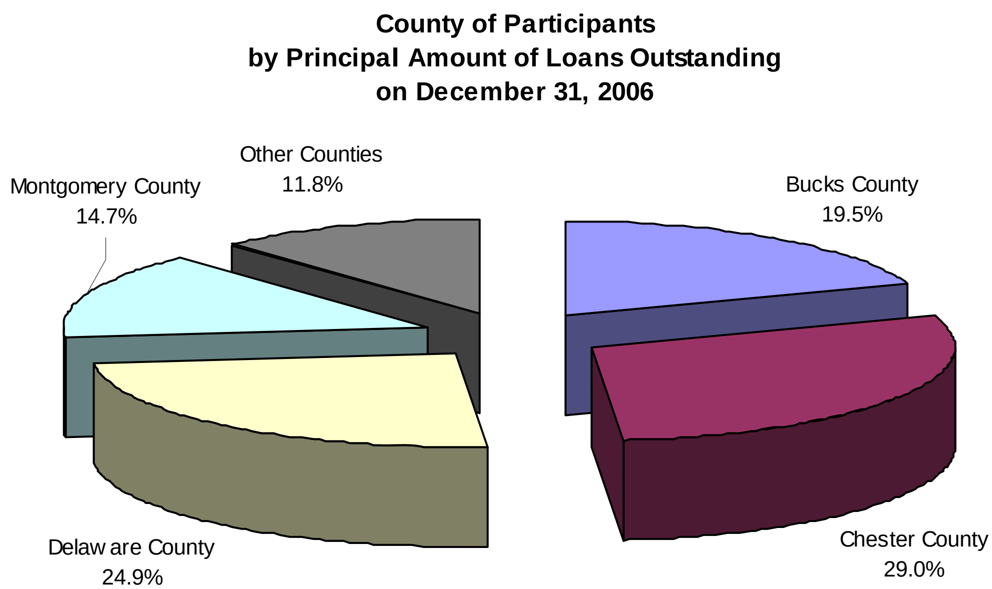


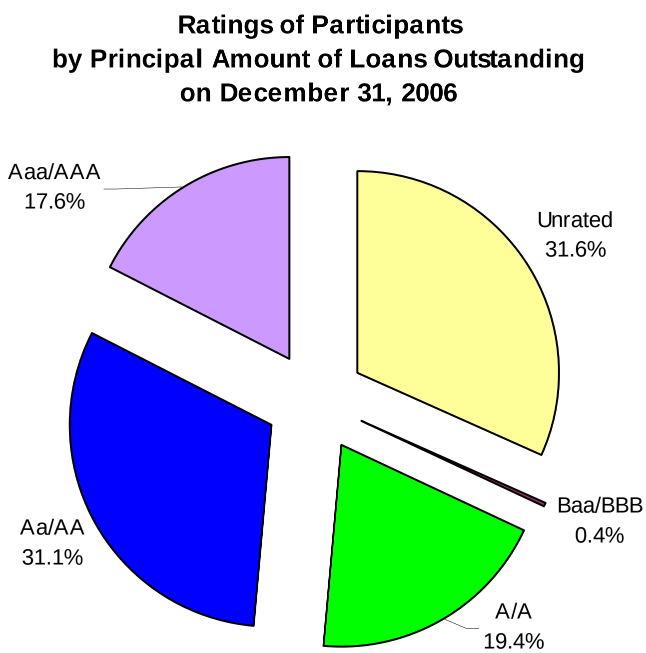
School districts accounted for 62.5% of the total financings in the Counties since 2002. Counties comprised 14.2%, townships and boroughs 14.7%, and authorities (excluding financing authorities, health and higher education authorities, and industrial development authorities) 8.6%.



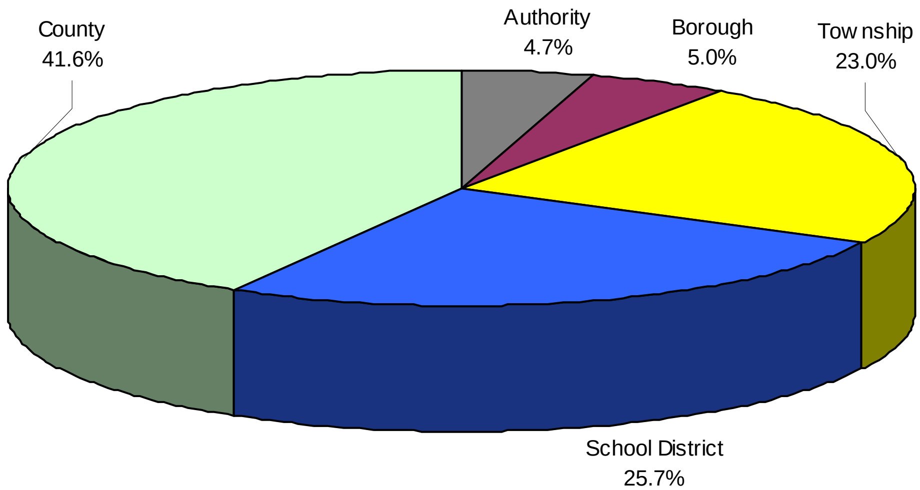
LOANS OUTSTANDING

The Authority's portfolio of loans outstanding as of December 31, 2006, consisted of 219 loans to 114 Participants in the aggregate principal amount of $915 million. Approximately 88% of the loans were to Political Subdivisions located in the Counties. Loans to Participants with ratings of "Aa3/AA-" or higher comprised 48.7% of the total loans outstanding. Loans to Chester County accounted for 16.4% of the loans outstanding, and loans to Delaware County accounted for 15.3% of the total loans outstanding. Loans to counties and school districts constituted 67.3% of the principal outstanding.





Types of Participants by Principal Amount of Loans Outstanding on December 31, 2006



Loans from the Authority are amortized over a period that approximates the useful life of the projects funded from the loans. The amortization period of a loan cannot exceed the maturity of the Authority's bond issue that was used to fund the loan. A schedule of the projected annual loan amortization of the Authority's loans outstanding as of December 31, 2006, is set forth below. The Authority expects to receive large prepayments of loans originated from proceeds of the 1985 and 1986 Bonds during the next five years. The Authority expects to use these prepayments to originate new construction loans.

Amortization of Loans Outstanding as of December 31, 2006

Year	*1985 Bonds*	*1986 Bonds*	*1997 Bonds*	*1998 Bonds*	*2002 Bonds*	*Total*
2007	$ 5,836,113	$ 10,088,500	$ 5,283,000	$ 28,722,000	$ 20,208,000	$ 70,137,613
2008	8,233,228	8,770,000	4,716,000	11,113,000	21,497,000	54,329,228
2009	9,140,454	10,293,000	4,887,000	11,285,000	23,652,000	59,257,454
2010	7,953,221	9,374,500	3,825,000	11,341,000	17,382,000	49,875,721
2011	8,246,690	9,721,500	4,222,000	10,079,000	18,168,000	50,437,190
2012	9,802,871	8,746,000	3,886,000	10,051,000	19,399,000	51,884,871
2013	7,179,779	9,622,000	4,102,000	10,185,000	19,424,000	50,512,779
2014	7,271,927	9,966,000	3,656,000	11,038,000	20,269,000	52,200,927
2015	7,527,333	10,210,000	3,779,000	10,907,000	21,239,000	53,662,333
2016	7,499,614	10,571,000	5,089,000	8,875,000	22,991,000	55,025,614
2017	7,460,000		11,262,000	10,211,000	23,560,000	52,493,000
2018	7,729,000		11,520,000	9,298,000	18,130,000	46,677,000
2019	11,260,000		11,034,000	9,658,000	16,637,000	48,589,000
2020	11,353,000		11,371,000	10,518,000	15,575,000	48,817,000
2021			11,752,000	9,577,000	15,951,000	37,280,000
2022			11,025,000	9,893,000	16,436,000	37,354,000
2023			2,025,000	10,273,000	8,413,000	20,711,000
2024			1,195,000	8,887,000	4,403,000	14,485,000
2025			1,135,000	8,476,000	4,477,000	14,088,000
2026			706,000	8,395,000	4,686,000	13,787,000
2027			623,000	7,977,000	4,567,000	13,167,000
2028				5,141,000	3,036,000	8,177,000
2029					4,675,000	4,675,000
2030					4,214,000	4,214,000
2031					1,835,000	1,835,000
2032	-	-	-	-	1,485,000	1,485,000
Total	$ 116,493,230	$ 97,362,500	$ 117,093,000	$ 231,900,000	$ 352,309,000	$ 915,157,730
Average Maturity (years)	7.65	5.12	12.06	10.10	9.34	9.21

The loans outstanding as of December 31, 2006, are listed in the schedule below.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
LOAN OUTSTANDING AS OF DECEMBER 31, 2006

									Ratings (1)	
	Participant	1985 Series	1986 Series	1997 Series	1998 Series	2002 Series	Total	County	Moody's	S&P
1	Aston Township	$ 20,000	$ -	$ -	$ -	$ -	$ 20,000	Delaware	A3	---
2	Atglen Borough			138,000			138,000	Delaware	---	---
3	Avondale Borough		313,000		814,000		1,127,000	Chester	---	---
4	Bensalem Township				5,212,000		5,212,000	Bucks	Aa3	---
5	Birmingham Township			414,000			414,000	Chester	---	---
6	Brandywine Heights Area School District					20,230,000	20,230,000	Berks	A1	---
7	Bristol Borough	41,829		129,000			170,829	Bucks	---	---
8	Bristol Township School District			895,000			895,000	Bucks	---	A
9	Buckingham Township				2,399,000		2,399,000	Bucks	Aa2	---
10	Bucks County	11,960,500	13,242,500			16,624,000	41,827,000	Bucks	Aa1	AA-
11	Bucks County Airport Authority			3,318,000	1,921,000		5,239,000	Bucks	---	---
12	Bucks County Community College			425,000	5,321,000	7,099,000	12,845,000	Bucks	Aa1	AA-
13	Caln Township					2,143,000	2,143,000	Chester	---	---
14	Central Bucks School District					664,000	664,000	Bucks	---	---
15	Chadds Ford Township			580,000			580,000	Chester	---	---
16	Chester County	89,146,000	61,067,000				150,213,000	Chester	Aaa	---
17	Coatesville Area School District				21,810,000		21,810,000	Chester	A3	A
18	Colonial School District				140,000		140,000	Montgomery	A1	---
19	Delaware County		19,995,000	49,910,000	-	69,995,000	139,900,000	Delaware	Aa2	AA
20	East Bradford Township					10,658,000	10,658,000	Chester	---	---
21	East Goshen Municipal Authority			882,000			882,000	Chester	---	---
22	East Goshen Township			252,000	8,232,000		8,484,000	Chester	A1	---
23	East Norriton Township				1,783,000		1,783,000	Montgomery	---	---
24	East Rockhill Township			280,000	1,791,000		2,071,000	Bucks	---	---
25	East Vincent Township					2,219,000	2,219,000	Chester	---	---
26	Easton Area School District					23,640,000	23,640,000	Northampton	A3	---
27	Forbes Road School District					8,399,000	8,399,000	Fulton	---	A
28	Franklin Township			558,000			558,000	Chester	---	---
29	Garnet Valley School District		1,524,000	208,000	1,000,000	23,436,000	26,168,000	Delaware	A2	A
30	Glenolden Borough					875,000	875,000	Delaware	---	---
31	Hatboro-Horsham School District					4,985,000	4,985,000	Montgomery	Aa3	---
32	Hatfield Borough				1,520,000	2,049,000	3,569,000	Montgomery	---	---
33	Hatfield Township				5,000,000	2,060,000	7,060,000	Montgomery	---	---

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
LOAN OUTSTANDING AS OF DECEMBER 31, 2006

	Participant	1985 Series	1986 Series	1997 Series	1998 Series	2002 Series	Total	County	Ratings (1) Moody's	S&P
34	Highland Township				1,200,000		1,200,000	Chester	---	---
35	Kennett Square Borough				1,968,000		1,968,000	Chester	A3	---
36	Lampeter Strasburg School District					13,795,000	13,795,000	Lancaster	A2	---
37	Lancaster County					25,030,000	25,030,000	Lancaster	Aa3	---
38	Lansdowne Borough				1,159,000		1,159,000	Delaware	---	---
39	Limerick Township Municipal Authority				7,664,000		7,664,000	Montgomery	---	---
40	London Britain Township			767,000			767,000	Chester	---	---
41	London Grove Township			427,000			427,000	Chester	---	---
42	London Grove Township Municipal Authority				1,945,000		1,945,000	Chester	---	---
43	Lower Gwynedd Township				1,003,000	1,593,000	2,596,000	Montgomery	Aa3	---
44	Lower Makefield Township			6,395,000	7,955,000	3,470,000	17,820,000	Bucks	Aa3	---
45	Lower Pottsgrove Township				820,000		820,000	Montgomery	---	---
46	Lower Providence Township					2,773,000	2,773,000	Montgomery	A1	A+
47	Lower Salford Township				11,489,000	4,389,000	15,878,000	Montgomery	---	---
48	Malvern Borough					2,497,000	2,497,000	Chester	A3	---
49	Marcus Hook Borough			1,875,000			1,875,000	Delaware	---	---
50	Middletown Township (Bucks)	617,248					617,248	Bucks	A1	---
51	Middletown Township (Delaware)	233,500					233,500	Delaware	---	---
52	Millersville Borough			3,078,000	1,016,000		4,094,000	Lancaster	A3	---
53	Montgomery County					10,853,000	10,853,000	Montgomery	Aaa	---
54	Morrisville Borough School District			1,694,000			1,694,000	Bucks	---	---
55	Morton Borough	57,153					57,153	Delaware	---	---
56	Nether Providence Township			1,174,000		3,772,000	4,946,000	Delaware	---	---
57	New Britain Township			3,315,000			3,315,000	Bucks	A1	---
58	New Garden Township Sewer Authority				1,946,000		1,946,000	Chester	---	---
59	New Hanover Township				6,678,000		6,678,000	Montgomery	---	---
60	New Hanover Township Authority					2,212,000	2,212,000	Montgomery	---	---
61	Norristown Area School District				105,000		105,000	Montgomery	A1	---
62	North Coventry Township				3,172,000	2,270,000	5,442,000	Chester	---	---
63	North Coventry Water Authority					1,849,000	1,849,000	Chester	---	---
64	North Wales Borough					1,001,000	1,001,000	Montgomery	---	---
65	Norwood Borough			555,000			555,000	Delaware	---	---
66	Oxford Township			1,852,000			1,852,000	Adams	---	---

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
LOAN OUTSTANDING AS OF DECEMBER 31, 2006

	Participant	1985 Series	1986 Series	1997 Series	1998 Series	2002 Series	Total	County	Ratings (1) Moody's	S&P
67	Parkesburg Borough					1,726,000	1,726,000	Chester	---	---
68	Penndel Borough			1,000,000			1,000,000	Bucks	---	---
69	Pennsbury Township			774,000			774,000	Chester	---	---
70	Pequea Valley School District					1,535,000	1,535,000	Lancaster	---	---
71	Perkasie Borough				5,083,000	1,276,000	6,359,000	Bucks	---	---
72	Phoenixville Borough	532,000			718,000		1,250,000	Chester	A3	---
73	Pocopson Township		325,000				325,000	Chester	---	---
74	Pottstown Borough				589,000		589,000	Montgomery	---	---
75	Pottstown Borough Authority				1,898,000		1,898,000	Montgomery	Baa1	---
76	Pottstown School District				11,136,000	1,754,000	12,890,000	Montgomery	---	A
77	Quakertown Community School District	10,886,000		2,754,000	18,014,000	27,813,000	59,467,000	Bucks	---	---
78	Radnor Township School District				15,000,000		15,000,000	Delaware	Aa3	---
79	Ridley Township			1,500,000			1,500,000	Delaware	---	---
80	Rockledge Borough			744,000			744,000	Montgomery	---	---
81	Sadsbury Township			1,027,000		3,236,000	4,263,000	Chester	---	---
82	Solebury Township				7,654,000	2,428,000	10,082,000	Bucks	A2	---
83	South Coventry Township			1,870,000			1,870,000	Chester	---	---
84	South Eastern School District					9,774,000	9,774,000	York	A2	A
85	Southeast Delco School District				1,796,000		1,796,000	Delaware	---	---
86	Southern Delaware County Authority			642,000			642,000	Delaware	---	---
87	Springfield Township			5,650,000	1,059,000		6,709,000	Delaware	---	---
88	Swarthmore Borough			591,000	1953000	870,000	3,414,000	Delaware	---	---
89	Tinicum Township				1,202,000	4457000	5,659,000	Delaware	---	---
90	Towamencin Township				6,028,000	5,450,000	11,478,000	Montgomery	---	---
91	Townmencin Township Infrastructure Authority				8,456,000		8,456,000	Montgomery	---	---
92	Trumbauersville Borough		300,000				300,000	Bucks	---	---
93	Upper Chichester Township				290,000	1,046,000	1,336,000	Delaware	Baa1	---
94	Upper Darby Township					7,500,000	7,500,000	Delaware	---	---
95	Upper Dublin Township			4,626,000			4,626,000	Montgomery	Aa3	---
96	Upper Gwynedd Township				255,000		255,000	Montgomery	---	---
97	Upper Pottsgrove Township				1,376,000	2,150,000	3,526,000	Montgomery	---	---
98	Upper Providence Township (Delaware)				1,088,000		1,088,000	Delaware	---	---
99	Upper Providence Township (Montgomery)				8,990,000		8,990,000	Montgomery	---	---

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
LOAN OUTSTANDING AS OF DECEMBER 31, 2006

	Participant	1985 Series	1986 Series	1997 Series	1998 Series	2002 Series	Total	County	Ratings (1) Moody's	S&P
100	Upper Providence Township Sewer Authority				4,182,000		4,182,000	Delaware	---	---
101	Upper Salford Township			810,000			810,000	Montgomery	---	---
102	Upper Southampton Township				3,045,000	1,790,000	4,835,000	Bucks	A2	---
103	Upper Southampton Township Municipal Authority				1,700,000		1,700,000	Bucks	---	---
104	Uwchlan Township			970,000		5,772,000	6,742,000	Chester	---	---
105	Wallace Township			461,000			461,000	Chester	---	---
106	Wallingford-Swarthmore School District	2,999,000					2,999,000	Delaware	---	AA-
107	West Chester Area School District				9,250,000		9,250,000	Chester	Aa1	---
108	West Chester Borough			4,546,000	4,652,000		9,198,000	Chester	A3	---
109	West Goshen Sewer Authority			4,391,000			4,391,000	Chester	A1	---
110	West Goshen Township		596,000	4,721,000			5,317,000	Chester	---	---
111	West Grove Borough			895,000	1,224,000		2,119,000	Chester	---	---
112	West Sadsbury Township				1,000,000		1,000,000	Chester	---	---
113	Whitemarsh Township				518,000		518,000	Montgomery	---	---
114	Whitpain Township	-	-	-	8,681,000	3,152,000	11,833,000	Montgomery	---	---
	Total	$ 116,493,230	$ 97,362,500	$ 117,093,000	$ 231,900,000	$ 352,309,000	$ 915,157,730			

(1) Explanations of the ratings may only be obtained from the rating agencies. The ratings may be changed, suspended, or withdrawn by the rating agences due to changes in circumstances or the unavailability of information.

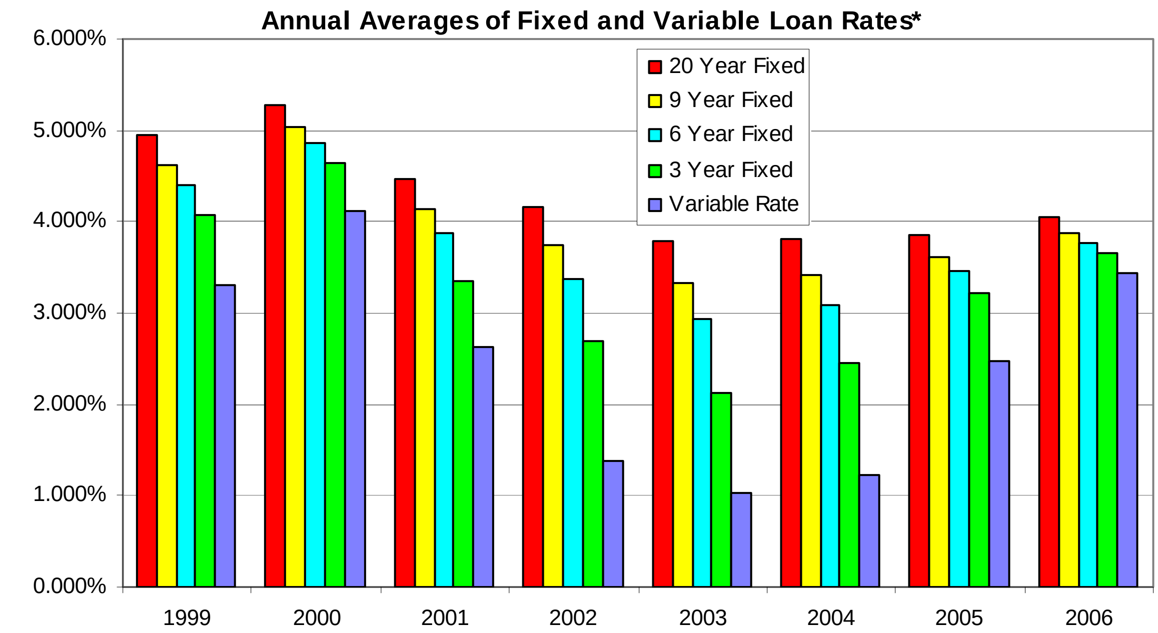
ADVANTAGES OF THE AUTHORITY'S LOANS

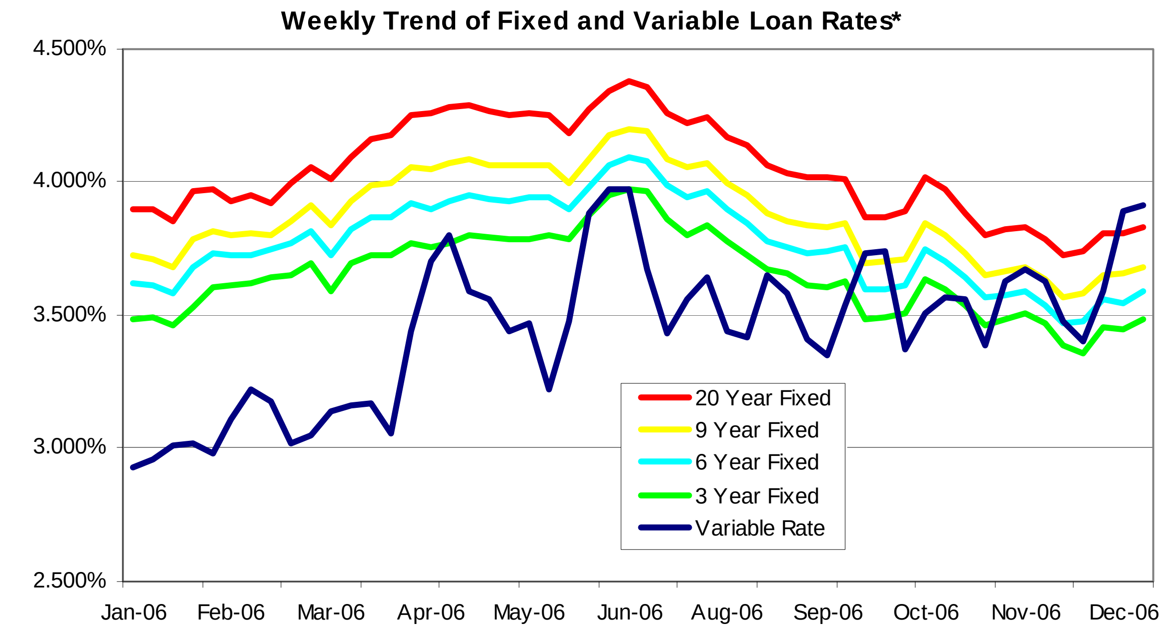
The Authority believes that its loan programs have been successful due to the low issuance costs, administrative fees, and interest rates of the loans. Currently, the Authority assesses an origination fee equal to 0.40% of the principal amount of the loans. The only additional costs that Participants presently incur are the fees for their solicitors or advisors to review documents, advertising costs, and application fees to the Commonwealth of Pennsylvania for approval of the debt of the borrower or its guarantor. The Authority's origination fees are substantially lower than the costs of issuance of bond issues. Below is a schedule of the bond issuance costs in the Counties since 2002.

Costs of Issuance of Bond Issues in the Counties

	2002	*2003*	*2004*	*2005*	*2006*	*Total*
Number of Issues	83	96	75	99	77	430
Par Amount	$ 905,515,000	$ 1,160,770,000	$ 766,115,000	$ 1,494,610,000	$ 1,572,840,000	$ 5,899,850,000
Costs of Issuance						
Underwriters' Fees	0.532%	0.561%	0.610%	0.565%	0.497%	0.547%
Other Costs of Issuance	0.913%	0.823%	0.967%	0.697%	0.655%	0.779%
Total	1.445%	1.384%	1.577%	1.262%	1.152%	1.326%

The variable rate loan continues to be the most popular offering of the Authority. Authority variable rate loans can be used for construction or permanent financing. The Authority's loan programs for the 1997 Bonds, 1998 Bonds, and 2002 Bonds also offer fixed rate options that are not available with traditional bond issues. All or a portion of the loan may be converted to a fixed rate. The fixed rate may be set for any period. Increasingly, Participants in these loan programs are structuring loans that are a combination of fixed and variable rates with the fixed rates set for periods shorter than the maturity. This type of structure affords Participants more options to manage their interest rate risk and allows the Participants to avoid the costs of refundings. Below are charts that show the annual averages of Authority's fixed and variable rate loan options since 2002 and the weekly trend in 2006.





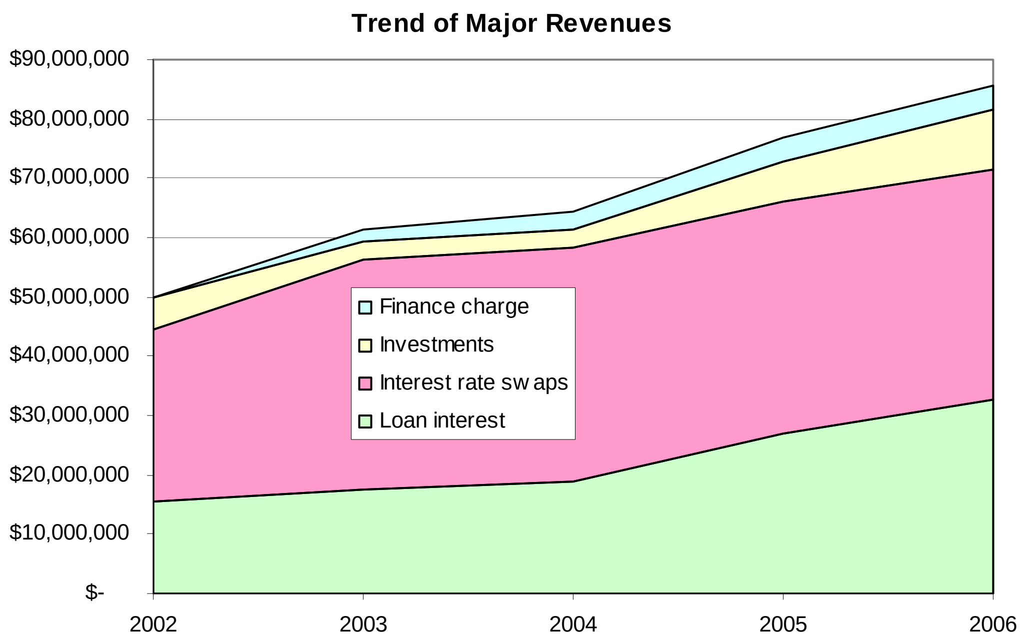
Average rates:	*Since 1999*	*Past Year*	*Current*
20-year fixed rate:	4.292%	4.046%	3.832%
9-year fixed rate:	3.975%	3.875%	3.683%
6-year fixed rate:	3.720%	3.771%	3.588%
3-year fixed rate:	3.274%	3.651%	3.487%
Variable rate:	2.450%	3.448%	3.910%

* Assumes 20-year loan with principal amortized to produce level debt at the 20-year fixed rate. Does not include Monthly Finance Charge.

The Authority may assess a finance charge (the "Monthly Finance Charge") on the loans of Participants to fund administrative expenses. For the 1985 and 1986 Bonds, these Administrative Expenses are principally credit facility and remarketing fees. For the 1997, 1998, and 2002 Bonds, these Administrative Expenses are principally net payments under interest rate swap agreements. Currently, the Monthly Finance Charge is 0.40% for the loan programs of the 1997, 1998, and 2002 Bonds and 0.30% on the loan programs of the 1985 and 1986 Bonds.

FIVE-YEAR TRENDS

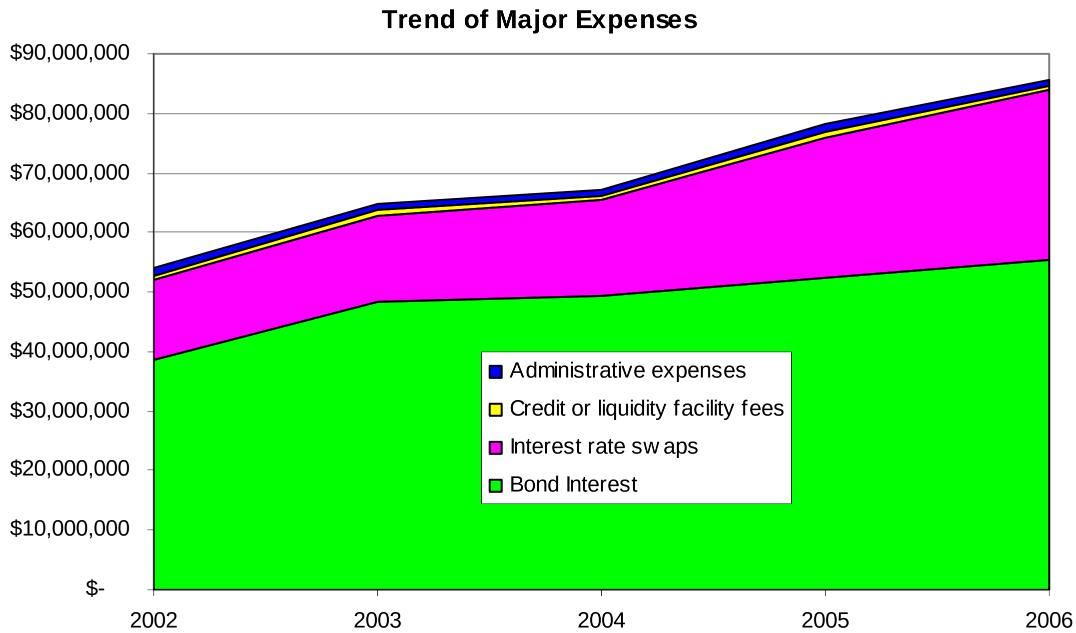
Revenues and expenses generally increased after the Authority issued the 2002 Bonds. The 2002 Bonds increased the size of the Authority's loan program and debt outstanding by about 50%. Interest rate sensitive revenues and expenses increased in 2005 and 2006 as short term interest rates rose.



Loan interest revenues grew by nearly 21% as short term rates increased for variable rate Participants and as more Participants converted their loans to fixed interest rates. Investment earnings rose by 53% in 2006 due to higher investment rates and to an increase in the average invested balance. Revenues from interest rate swaps declined by about 1% due to the termination of an interest rate swap.

In 2003, for the first time since 1993, the Authority began to assess a Monthly Finance Charge on all of its loan programs. Due to the low interest rates in the aftermath of 9-11 and the low amount of funds available for investment, the Authority's investment income declined dramatically, and the Authority's fund equity was not sufficient to cover all of the administrative expenses and maintain the liquidity of the loan programs. The Monthly Finance Charge reached a high of 0.50% on variable rate loans and 0.40% on fixed rate loans in January 2006. In August 2006, the Monthly Finance Charge was reduced to 0.40% on the loan programs of the 1997, 1998, and 2002 Bonds and was reduced to 0.30% on the loan programs of the 1985 and 1986 Bonds. Revenues from the finance charge to borrowers in 2006 declined by about 3% because the Authority reduced finance charge in August 2006.

Bond interest expenses in 2006 increased by nearly 6% due to higher interest rates on the variable rate 1985 and 1986 Bonds. Interest rate swap expenses rose by nearly 21% in 2006 due to higher short term interest rates and due to conversions of more loans to fixed rates. Administrative expenses dropped by 28% due to abnormally high expenses in 2005 for the substitution of letters of credit for the 1985 and 1986 Bonds and for legal fees. Credit facility fees declined by more than 11% due to the lower facility fees for the letters of credit. The amortization of bond issuance costs increased by 47% in 2006 because unamortized costs of issuance were recognized when the 1996 Bonds were redeemed.



The five-year Comparative Statements of Revenues, Expenses, and Changes in Fund Equity Information are set forth below:

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY INFORMATION
FOR THE YEARS ENDED DECEMBER 31

	2002	2003	2004	2005	2006
REVENUES:					
Interest income:					
Loans	$ 15,363,516	$ 17,479,569	$ 18,960,534	$ 26,960,862	$ 32,553,883
Interest rate swaps	29,055,318	38,657,234	39,392,671	39,213,691	38,836,111
Investments in cash equivalents	5,633,748	3,111,924	3,093,020	6,688,776	10,235,029
Finance charge		1,942,760	2,898,594	3,951,824	3,836,328
Amortization of bond original issue premium	1,399,187	3,596,672	3,005,001	2,998,785	2,998,785
Amortization of loan original issue discount	6,379	6,402	6,415	6,397	92,161
Amortization of loan origination fees	18,175	(8,545)	6,774	56,857	47,613
Total Revenues	51,476,323	64,786,016	67,363,009	79,877,192	88,599,910
EXPENSES:					
Interest expense:					
Bonds	38,768,139	48,293,608	49,451,704	52,426,647	55,376,418
Interest rate swaps	13,357,719	14,622,727	15,869,650	23,565,933	28,419,073
Credit or liquidity facility fees	732,592	816,995	817,225	784,578	694,631
Administrative expenses	1,187,010	1,165,968	1,079,783	1,389,843	1,000,571
Amortization of bond original issue discount	6,379	6,402	6,415	6,398	92,161
Amortization of loan insurance fees	15,584	69,253	82,133	127,025	94,362
Amortization of bond issuance costs	475,492	533,398	535,128	534,448	784,348
Total Expenses	54,542,915	65,508,351	67,842,038	78,834,872	86,461,564
REVENUES OVER (UNDER) EXPENSES	(3,066,592)	(722,335)	(479,029)	1,042,320	2,138,346
DECREASE (INCREASE) OF EXCESS INVESTMENT EARNINGS	1,048,479	287,956	(54,651)	54,651	
FUND EQUITY, BEGINNING	17,315,631	15,297,518	14,863,139	14,329,459	15,426,430
FUND EQUITY, ENDING	$ 15,297,518	$ 14,863,139	$ 14,329,459	$ 15,426,430	$ 17,564,776

Sources: Financial Statements for the Years Ended December 31, 2002, to December 31, 2006

Cash and cash equivalents declined after 2002 because nearly all of the available funds of the Authority were committed to loans. Cash and cash equivalents increased in 2005 when the Authority received several large prepayments of construction loans from Participants in the 1985 Bonds loan program at the end of the year. Cash and cash equivalents fell by 28% in 2006 due to the origination of new loans; consequently, investment interest receivable dropped by 33%. Accrued loan interest receivable increased as short term interest rates rose and as more loans converted to fixed interest rates. The current portion of loans outstanding rose by 32% in 2006 as the amortization of loans originated in 2002 and 2003 began to become more significant. Unamortized bond issuance costs declined by 7% due to the redemption of the 1996 Bonds. Interest rate swaps payable increased by 17% due to higher short term interest rates and an increase in the amount of fixed rate loans.

The five-year trends of Comparative Balance Sheet Information and Comparative Statements of Cash Flows Information are set forth below:

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
COMPARATIVE BALANCE SHEET INFORMATION FOR THE YEARS ENDED DECEMBER 31

	2002	*2003*	*2004*	*2005*	*2006*
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 85,327,996	$ 37,172,962	$ 42,334,454	$ 135,143,939	$ 97,743,983
Restricted cash equivalents	111,927,750	111,927,750	111,927,750	111,927,750	111,927,750
Accrued interest receivable:					
Loans	978,267	970,013	1,351,951	1,972,672	1,932,223
Interest rate swaps	5,937,917	6,601,061	5,937,917	5,937,916	5,937,917
Investments in cash equivalents	127,329	53,192	111,976	455,514	306,484
Finance charge receivable		148,270	261,237	286,840	193,650
Prepaid expenses	76,740	75,777	74,876	76,059	79,692
Unamortized prepaid interest rate swap expense, current (2)	585,760	588,605	588,593	588,593	588,593
Bond issuance costs, current (1)	533,398	535,127	534,448	534,448	521,498
Loan insurance fees, current (1)	62,136	73,055	75,432	76,457	78,904
Bond original issue discount, current (1)	6,402	6,415	6,398	6,398	
Loans to local governments, current	46,480,440	58,414,727	47,995,673	46,553,091	61,428,613
Total current assets	252,044,135	216,566,954	211,200,705	303,559,677	280,739,307
OTHER ASSETS:					
Loans to local governments, net	906,381,054	934,126,344	937,824,671	844,628,730	853,729,117
Unamortized prepaid interest rate swap expense, net	14,470,312	13,881,707	13,293,114	12,704,521	12,115,929
Bond original issue discount, net	104,974	98,559	92,161	85,764	
Loan insurance fees, net	1,087,355	1,160,289	1,105,296	1,026,854	1,006,062
Bond issuance costs, net	12,441,658	11,906,531	11,372,083	10,837,636	10,066,236
Total other assets	934,485,353	961,173,430	963,687,325	869,283,505	876,917,344
TOTAL	$1,186,529,488	$1,177,740,384	$1,174,888,030	$1,172,843,182	$1,157,656,651
LIABILITIES AND FUND EQUITY					
CURRENT LIABILITIES:					
Accrued expenses	$ 260,198	$ 232,546	$ 201,405	$ 139,406	$ 151,945
Bond principal payable, current (2)	750,000	795,000	260,825,000	735,000	
Estimated excess investment earnings, current			54,651		
Bond original issue premium, current (1)	3,596,671	3,005,001	2,998,785	2,998,785	2,998,785
Loan origination fees, current (1)	15,912	6,542	4,603	8,483	6,251
Loan original issue discount, current (1)	6,402	6,415	6,397	6,397	
Accrued interest payable:					
Interest rate swaps	1,027,265	922,739	1,383,016	2,532,477	2,693,689
Bonds	25,042,335	21,415,566	22,406,313	22,077,312	22,398,705
Total current liabilities	30,698,783	26,383,809	287,880,170	28,497,860	28,249,375
LONG TERM LIABILITIES:					
Bonds payable, net	1,091,340,000	1,090,545,000	829,720,000	1,088,985,000	1,075,000,000
Loan original issue discount, net	104,974	98,559	92,161	85,764	
Bond original issue premium, net	48,833,712	45,828,711	42,829,925	39,831,141	36,832,357
Estimated excess investment earnings, net	287,956				
Loan origination fees, net	(33,455)	21,166	36,315	16,987	10,143
Total long term liabilities	1,140,533,187	1,136,493,436	872,678,401	1,128,918,892	1,111,842,500
Total liabilities	1,171,231,970	1,162,877,245	1,160,558,571	1,157,416,752	1,140,091,875
FUND EQUITY	15,297,518	14,863,139	14,329,459	15,426,430	17,564,776
TOTAL	$1,186,529,488	$1,177,740,384	$1,174,888,030	$1,172,843,182	$1,157,656,651

(1) Results from 2002 were restated to present the current amounts.

(2) Results from 2004 show the principal outstanding of the 1985 and 1986 Series Bonds as current liabilities because the terms of the letters of credit that secured the bonds were scheduled to expire within the next year.

Sources: Financial Statements for the Years Ended December 31, 2002, to December 31, 2006

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS INFORMATION
FOR THE YEARS ENDED DECEMBER 31

	2002	*2003*	*2004*	*2005*	*2006*
CASH FLOWS FROM OPERATING ACTIVITIES:					
Excess of revenues over (under) expenses	$ (3,066,592)	$ (722,335)	$ (479,029)	$ 1,042,320	$ 2,138,346
Add interest expense on bonds and interest rate swap expense (1)	52,125,858	62,916,335	65,321,354	75,992,580	83,795,491
Less interest earned on loans to local governments and interest rate swap income	(44,418,834)	(56,136,803)	(58,353,205)	(66,174,553)	(71,389,994)
Excess of operating revenues over operating expenses	4,640,432	6,057,197	6,489,120	10,860,347	14,543,843
Loans to local governments	(463,136,000)	(111,234,000)	(58,869,000)	(108,648,000)	(104,866,000)
Principal repayments of loans to local governments	86,263,810	71,554,423	65,589,727	203,286,523	80,890,091
Interest received on loans to local governments and interest rate swap agreements	44,143,330	55,481,913	58,634,411	65,553,833	71,430,442
Loan origination fees	57,371	36,706	19,981	41,409	38,540
Adjustments for revenues not generating cash:					
Amortization of loan origination fees	(18,175)	8,545	(6,774)	(56,857)	(47,613)
Amortization of loan original issue discount	(6,379)	(6,402)	(6,415)	(6,397)	(92,161)
Amortization of bond original issue premium	(1,399,187)	(3,596,672)	(3,005,001)	(2,998,785)	(2,998,785)
Adjustments for expenses not reducing cash:					
Amortization of bond original issue discount	6,379	6,402	6,415	6,398	92,161
Amortization of loan insurance fees	15,584	69,253	82,133	127,025	94,362
Amortization of bond issuance costs	475,492	533,398	535,128	534,448	784,348
Adjustments for changes in assets and liabilities:					
Accrued interest receivable on investments	107,203	74,137	(58,784)	(343,538)	149,030
Accrued finance charge receivable		(148,270)	(112,967)	(25,603)	93,190
Prepaid expenses	(1,095)	963	901	(1,183)	(3,633)
Loan insurance fees	(1,165,075)	(153,106)	(29,517)	(49,608)	(76,016)
Accrued expenses	62,266	(27,652)	(31,141)	(61,999)	12,539
Net cash provided by operating activities	(329,954,044)	18,656,835	69,238,217	168,218,013	60,044,338
CASH FLOWS FROM FINANCING ACTIVITIES:					
Transfers					
Proceeds of bond issues	377,774,306				
Less deposits to restricted accounts	(31,959,000)				
Original issue premium	32,003,750				
Bond issuance costs	(3,848,101)				
Payment of bond principal	(720,000)	(750,000)	(795,000)	(825,000)	(14,720,000)
Payment of interest on bonds and interest rate swap agreements	(40,216,270)	(66,061,869)	(63,281,725)	(74,583,528)	(82,724,294)
Net cash provided by (used in) financing activities	333,034,685	(66,811,869)	(64,076,725)	(75,408,528)	(97,444,294)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,080,641	(48,155,034)	5,161,492	92,809,485	(37,399,956)
CASH AND CASH EQUIVALENTS, BEGINNING	82,247,355	85,327,996	37,172,962	42,334,454	135,143,939
CASH AND CASH EQUIVALENTS, ENDING	$ 85,327,996	$ 37,172,962	$42,334,454	$135,143,939	$ 97,743,983

Sources: Financial Statements for the Years Ended December 31, 2002, to December 31, 2006

COVENANT AGREEMENT

The Authority approved a Covenant Agreement on April 9, 2001, which was amended and restated on April 23, 2002, and on April 12, 2004. Pursuant to the Covenant Agreement, the Authority will use funds that may be used for any purpose in accordance with the provisions of each trust indenture (the “Excess Funds”) to cure a deficiency in any trust estate. The Excess Funds may be used to:

(i) replenish any deficiency of a debt service reserve fund or
(ii) pay any debt service payments, interest rate swap payments, administrative expenses, and interest rate swap termination payments.

Under the Covenant Agreement, Excess Funds can only be used for the purposes enumerated above as long as any bonds of the Authority are outstanding. Below are schedules of the trend of Excess Funds for the past five years and the Excess Funds by bond series for the most recent audit. Also shown on the schedules are the fair market values, as of December 31 of each year, of the Authority’s interest rate swap agreements.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
TREND OF EXCESS FUNDS
FOR THE YEARS ENDED DECEMBER 31

	2002	*2003*	*2004*	*2005*	*2006*
Assets					
Cash and cash equivalents	$ 85,327,996	$ 37,172,962	$ 42,334,454	$ 135,143,939	$ 97,743,983
Restricted cash and cash equivalents	111,927,750	111,927,750	111,927,750	111,927,750	111,927,750
Accrued interest receivable					
Loans	978,267	970,013	1,351,951	1,972,672	1,932,223
Interest rate swap	5,937,917	6,601,061	5,937,917	5,937,916	5,937,917
Investments	127,329	53,192	111,976	455,514	306,484
Finance charge receivable		148,270	261,237	286,840	193,650
Prepaid expenses	76,740	75,777	74,876	76,059	79,692
Loans to local governments	952,861,494	992,541,071	985,820,344	891,181,821	915,157,730
Total assets	1,157,237,493	1,149,490,096	1,147,820,505	1,146,982,511	1,133,279,429
Liabilities and Deductions					
Bonds payable	1,092,090,000	1,091,340,000	1,090,545,000	1,089,720,000	1,075,000,000
Accrued expenses	260,198	232,546	201,405	139,406	151,945
Accrued interest payable					
Interest rate swap	1,027,265	922,739	1,383,016	2,532,477	2,693,689
Bond issues	25,042,335	21,415,566	22,406,313	22,077,312	22,398,705
Estimated excess investment earnings	287,956	-	54,651	-	-
Total liabilities	1,118,707,754	1,113,910,851	1,114,590,385	1,114,469,195	1,100,244,339
Less unamortized bond premium used to over-collateralize loan program	28,159,000	26,475,715	24,301,434	22,127,154	19,952,873
Total liabilities and deductions	1,146,866,754	1,140,386,566	1,138,891,819	1,136,596,349	1,120,197,212
Excess Funds	$ 10,370,739	$ 9,103,530	$ 8,928,686	$ 10,386,162	$ 13,082,217
Fair market value of interest rate swaps	$ 53,147,092	$ 41,331,762	$ 55,656,671	$ 51,961,664	$ 61,841,903

Sources: Financial Statements for the Years Ended December 31, 2002, to December 31, 2006

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
EXCESS FUNDS BY BOND SERIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	1985 Bonds	*1986 Bonds*	*1997 Bonds*	*1998 Bonds*	*2002 Bonds*	*Total*
Assets						
Cash and cash equivalents	$ 4,638,541	$ 6,686,513	$ 14,770,416	$ 41,686,079	$ 29,962,434	$ 97,743,983
Restricted cash and cash equivalents	24,468,750	11,500,000	14,000,000	30,000,000	31,959,000	111,927,750
Accrued interest receivable						
Loans	363,260	263,704	115,618	450,932	738,709	1,932,223
Interest rate swap				5,937,917		5,937,917
Investments	132,519	57,876	20,979	54,363	40,747	306,484
Finance charge receivable	29,684	22,948	11,840	48,539	80,639	193,650
Prepaid expenses	18,750	25,525	15,000	20,417		79,692
Loans to local governments	116,493,230	97,362,500	117,093,000	231,900,000	352,309,000	915,157,730
Total assets	146,144,734	115,919,066	146,026,853	310,098,247	415,090,529	1,133,279,429
Liabilities and Deductions						
Bonds payable	145,000,000	115,000,000	140,000,000	300,000,000	375,000,000	1,075,000,000
Accrued expenses	65,612	46,069	14,264		26,000	151,945
Accrued interest payable						
Interest rate swap			426,478	1,097,766	1,169,445	2,693,689
Bond issues	452,122	303,758	4,490,004	6,527,821	10,625,000	22,398,705
Estimated excess earnings	-	-	-	-	-	-
Total liabilities	145,517,734	115,349,827	144,930,746	307,625,587	386,820,445	1,100,244,339
Less unamortized bond premium used to over-collateralize loan program	-	-	-	-	19,952,873	19,952,873
Total liabilities and deductions	145,517,734	115,349,827	144,930,746	307,625,587	406,773,318	1,120,197,212
Excess Funds	$ 627,000	$ 569,239	$ 1,096,107	$ 2,472,660	$ 8,317,211	$ 13,082,217
Fair market value of interest rate swaps	$ -	$ -	$ 8,110,322	$ 29,311,021	$ 24,420,560	$ 61,841,903

Source: Financial Statements for the Year Ended December 31, 2006

FINANCING ACTIVITIES

All of the loans originated from the 1996 Bonds were prepaid in April and May of 2006. Under the terms of the trust indenture for the 1996 Bonds, the repayments could only be used to redeem the 1996 Bonds; the Authority could not recycle the repayments for new loans. The Authority repaid or redeemed the $14,720,000 of principal outstanding of the 1996 Bonds as the loans originated from that dedicated loan program were prepaid.

The remarketing of the 1997 Series A Bonds on July 1, 2007, is secured by a standby bond purchase agreement issued by Credit Suisse First Boston, acting through its New York Branch. On August 31, 2006, the standby bond purchase agreement was assigned to Dexia Crédit Local, acting through its New York Branch.

The Authority did not issue any new bonds or notes in 2006. Moody's Investors Service and Standard & Poor's Ratings Services have assigned the Authority ratings of "Aa3/AA-", respectively. The estimated, scheduled debt service payments for the Authority are shown on the following page.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY
ESTIMATED DEBT SERVICE PAYMENTS

	1985 Bonds		*1986 Bonds*		*1997 Bonds*		*1998 Bonds*		*2002 Bonds*		*Total Debt Service*		
Year	*Principal* (1)	*Interest* (2)	*Principal* (3)	*Interest* (2)	*Principal* (4)	*Interest* (5)	*Principal* (3)	*Interest*	*Principal* (4)	*Interest*	*Principal*	*Interest*	*Total*
2007	$ -	$ 5,800,000	$ -	$ 2,683,000	$ -	$ 7,453,000	$ -	$ 16,500,000	$ -	$ 21,250,000	$ -	$ 53,686,000	$ 53,686,000
2008		5,800,000		2,683,000		7,453,000		16,500,000		21,250,000	-	53,686,000	53,686,000
2009		5,800,000		2,683,000		7,453,000		16,500,000		21,250,000	-	53,686,000	53,686,000
2010		5,800,000		2,683,000		7,453,000		16,500,000		21,250,000	-	53,686,000	53,686,000
2011		5,800,000		2,683,000		7,453,000		16,500,000		21,250,000	-	53,686,000	53,686,000
2012		5,800,000		2,683,000		7,453,000		16,500,000	125,000,000	21,250,000	125,000,000	53,686,000	178,686,000
2013		5,800,000		2,683,000		7,453,000		16,500,000		14,375,000	-	46,811,000	46,811,000
2014		5,800,000		2,683,000		7,453,000		16,500,000		14,375,000	-	46,811,000	46,811,000
2015		5,800,000		2,683,000		7,453,000		16,500,000		14,375,000	-	46,811,000	46,811,000
2016		5,800,000	115,000,000	2,683,000		7,453,000		16,500,000		14,375,000	115,000,000	46,811,000	161,811,000
2017	5,000,000	5,800,000			42,000,000	7,453,000		16,500,000	125,000,000	14,375,000	172,000,000	44,128,000	216,128,000
2018	5,000,000	5,617,000				5,101,000	50,000,000	16,500,000		7,187,500	55,000,000	34,405,500	89,405,500
2019	10,000,000	5,417,000				5,101,000		13,750,000		7,187,500	10,000,000	31,455,500	41,455,500
2020	125,000,000	5,033,000				5,101,000		13,750,000		7,187,500	125,000,000	31,071,500	156,071,500
2021						5,101,000		13,750,000		7,187,500	-	26,038,500	26,038,500
2022						5,101,000		13,750,000		7,187,500	-	26,038,500	26,038,500
2023						5,101,000		13,750,000		7,187,500	-	26,038,500	26,038,500
2024						5,101,000		13,750,000		7,187,500	-	26,038,500	26,038,500
2025						5,101,000		13,750,000		7,187,500	-	26,038,500	26,038,500
2026						5,101,000		13,750,000		7,187,500	-	26,038,500	26,038,500
2027					98,000,000	5,101,000		13,750,000		7,187,500	98,000,000	26,038,500	124,038,500
2028							250,000,000	13,750,000		7,187,500	250,000,000	20,937,500	270,937,500
2029										7,187,500	-	7,187,500	7,187,500
2030										7,187,500	-	7,187,500	7,187,500
2031										7,187,500	-	7,187,500	7,187,500
2032	-	-	-	-	-	-	-	-	125,000,000	7,187,500	125,000,000	7,187,500	132,187,500
Total	$ 145,000,000	$ 79,867,000	$ 115,000,000	$ 26,830,000	$ 140,000,000	$ 132,993,000	$ 300,000,000	$ 335,500,000	$ 375,000,000	$ 307,187,500	$ 1,075,000,000	$ 882,377,500	$ 1,957,377,500

(1) Due on December 1.

(2) The variable interest rate is assumed to be 4.00%.

(3) Due on August 1.

(4) Due on July 1.

(5) The interest rate on the $70,000,000 Series A Bonds, maturing on July 1, 2027, is set at the semiannual rate of the Consumer Price Index plus 1.88%. The Series A Bonds will be remarketed on July 1, 2007. The Series A Bonds may be remarketed as bonds indexed to the Consumer Price Index, 7-day variable rate demand bonds, or fixed rate bonds. An interest rate of 5.00% is assumed.

Source: Calhoun, Baker Inc.

OUTLOOK FOR 2007

The Authority replaced the letter of credit securing the 1985 Bonds issued by National Australia Bank Limited ("NAB") with a letter of credit issued by Bayerische Landesbank ("BayernLB"), acting through its New York Branch, effective February 1, 2007. The scheduled termination date is February 1, 2017. The Authority replaced the letter of credit securing the 1986 Bonds issued by NAB with a letter of credit issued by BayernLB, acting through its New York Branch, effective February 7, 2007. The scheduled termination date is August 1, 2016, the maturity date for the 1986 Bonds. Administrative expenses will increase over the 2006 levels due to the costs of the substitutions, but credit facility fees will decline.

The $70 million 1997 Series A Bonds (the "1997 A Bonds") will be remarketed on July 1, 2007. The 1997 A Bonds are currently CPI-Index bonds. The Authority may remarket the 1997 A Bonds again as CPI-Index bonds, or the Authority may remarket the 1997 A Bonds as fixed rate bonds or 7-day variable rate demand bonds. The 1997 A Bonds are secured by a municipal bond insurance policy issued by Ambac Assurance Corporation and the remarketing is secured by a standby bond purchase agreement issued by Dexia Crédit Local, acting through its New York Branch. Administrative costs will increase over the 2006 levels due to the costs of the remarketing, and bond interest costs will change to reflect the market conditions and the new interest rate mode of the remarketing.

As of December 31, 2006, the Authority had approximately $76 million of funds from loan repayments in 2006 available for new loans. Of that amount, approximately $29 million was committed for loans in process. The Authority expects to receive approximately $61 million of repayments in 2007. Based upon the applications for new loans, expressions of interest in new loans, and the Authority's history of loan origination, the Program Administrator reasonably expects that the demand for the Authority's loan programs will be sufficient to utilize all of the funds that are expected to become available.

Given the flatness of the tax exempt yield curve, the Program Administrator expects that more of the existing Participants with variable rate loans will convert portions of their loans to fixed rates. The Program Administrator also expects that a higher proportion of new loans will be converted to a fixed rate.

The Program Administrator has begun conducting a survey in the Counties to determine if demand for new loans is sufficient to warrant a new bond issue by the Authority to provide additional funding for its loan programs. If the demand is sufficient and market conditions are favorable, the Authority would issue between $100 and $300 million of bonds.

The Authority expects to continue to be successful in originating new loans; however, the Authority can give no assurance that it will continue to enjoy the competitive advantages of origination costs, administrative costs, and interest rates that have made the Authority's loan programs an attractive financing option.

/s/ *Calhoun, Baker Inc.*
Program Administrator
Delaware Valley Regional Finance Authority
April 10, 2007

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

BALANCE SHEET
DECEMBER 31, 2006

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 97,743,983
Restricted cash and cash equivalents	111,927,750
Accrued interest receivable:	
Loans	1,932,223
Interest rate swaps	5,937,917
Investments in cash equivalents	306,484
Finance charge receivable	193,650
Prepaid expenses	79,692
Unamortized prepaid interest rate swap expense, current	588,593
Loan insurance fees, current	78,904
Bond issuance costs, current	521,498
Loans to local governments, current	61,428,613
Total current assets	280,739,307
OTHER ASSETS:	
Loans to local governments, net of current portion	853,729,117
Unamortized prepaid interest rate swap expense, net	12,115,929
Loan insurance fees, net	1,006,062
Bond issuance costs, net	10,066,236
Total other assets	876,917,344
TOTAL ASSETS	$ 1,157,656,651
LIABILITIES AND FUND EQUITY	
CURRENT LIABILITIES:	
Accrued expenses	$ 151,945
Bond original issue premium, current	2,998,785
Unamortized loan origination fees, current	6,251
Accrued interest payable:	
Swaps	2,693,689
Bonds	22,398,705
Total current liabilities	28,249,375
LONG TERM LIABILITIES:	
Bonds payable, net	1,075,000,000
Bond original issue premium, net	36,832,357
Unamortized loan origination fees, net	10,143
Total long term liabilities	1,111,842,500
Total liabilities	1,140,091,875
FUND EQUITY	17,564,776
TOTAL LIABILITIES AND FUND EQUITY	$ 1,157,656,651

See Notes to Financial Statements

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUES:	
Interest income:	
Loans	$ 32,553,883
Interest rate swaps	38,836,111
Investments in cash equivalents	10,235,029
Finance charge	3,836,328
Amortization of bond original issue premium	2,998,785
Amortization of loan original issue discount	92,161
Amortization of loan origination fees	47,613
Total Revenues	88,599,910
EXPENSES:	
Interest expense:	
Bonds	55,376,418
Interest rate swaps	28,419,073
Credit or liquidity facility fees	694,631
Administrative expenses	1,000,571
Amortization of bond original issue discount	92,161
Amortization of loan insurance fees	94,362
Amortization of bond issuance costs	784,348
Total Expenses	86,461,564
EXCESS OF REVENUES OVER EXPENSES	2,138,346
FUND EQUITY, BEGINNING	15,426,430
FUND EQUITY, ENDING	$ 17,564,776

See Notes to Financial Statements

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess of revenues over expenses	$ 2,138,346
Add interest expense on bonds and interest rate swap expense	83,795,491
Less interest earned on loans to local governments and interest rate swap income	(71,389,994)
Excess of operating revenues over operating expenses	14,543,843
Loans to local governments	(104,866,000)
Principal repayments of loans to local governments	80,890,091
Interest received on loans to local governments and interest rate swap agreements	71,430,442
Loan origination fees	38,540
Adjustments for revenues not generating cash:	
Amortization of loan origination fees	(47,613)
Amortization of loan original issue discount	(92,161)
Amortization of bond original issue premium	(2,998,785)
Adjustments for expenses not reducing cash:	
Amortization of bond original issue discount	92,161
Amortization of loan insurance fees	94,362
Amortization of bond issuance costs	784,348
Adjustments for changes in assets and liabilities:	
Accrued interest receivable on investments	149,030
Accrued finance charge receivable	93,190
Prepaid expenses	(3,633)
Loan insurance fees	(76,016)
Accrued expenses	12,539
Net cash provided by operating activities	60,044,338
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment of bond principal	(14,720,000)
Payment of interest on bonds and interest rate swap agreements	(82,724,294)
Net cash used in financing activities	(97,444,294)
DECREASE IN CASH AND CASH EQUIVALENTS	(37,399,956)
CASH AND CASH EQUIVALENTS, BEGINNING	135,143,939
CASH AND CASH EQUIVALENTS, ENDING	$ 97,743,983

See Notes to Financial Statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Delaware Valley Regional Finance Authority was formed in 1985 by Bucks, Chester, Delaware, and Montgomery Counties, Pennsylvania. The purpose of the Authority is to provide funds for capital projects to local governments and authorities within the Commonwealth of Pennsylvania. Eligible borrowers include school districts, townships, boroughs, authorities, cities, and counties. The Authority has issued approximately $1.1 billion of bonds to fund loan programs. Each of the Authority's series of bonds is secured by the loan agreements and funds related to that respective series. Each loan agreement is secured by a full faith, credit, and taxing power pledge of a local government.

The Board of the Authority is comprised of five members appointed by the four counties. Each year, on a rotating basis, one of the founding counties appoints one board member to a term of five years. The Authority members appoint the program administrator, solicitor, bond counsel, remarketing agent, credit facility providers, and trustees who manage the daily operations of the Authority and its loan programs.

BASIS OF ACCOUNTING

Operations of the Authority are intended to be self-supporting, primarily from loan repayments, investment earnings, origination fees, and administrative fees. Accordingly, the Authority is accounted for as a special-purpose government, business-type activity and utilizes the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when incurred.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS

The Authority considers all highly liquid debt instruments purchased with a maturity of 90 days or less, except for restricted cash equivalents, to be cash equivalents. The Authority also considers the Guaranteed Investment Contracts for the funds of the 1997 Series Bonds, the 1998 Series Bonds, and the 2002 Series Bonds to be highly liquid debt instruments and cash equivalents, except for restricted cash equivalents. Investments purchased with maturities of more than 90 days are recorded at fair value.

LOANS TO LOCAL GOVERNMENTS

Loans are originated in amounts of $100,000 or more from available funds. The Authority provides both fixed rate and variable interest rate loans with terms of up to thirty years. Each loan is secured by the full faith, credit, and taxing power of a local government.

BONDS PAYABLE

The Authority has issued six series of bonds, with a total par amount of $1,096,000,000. Each series is secured by the revenues and assets of that series. The Authority has entered into a Covenant Agreement that secures all of the bonds issued, and to be issued, by the Authority. Under the terms of the Covenant Agreement, in the event of a deficiency under any of the trust estates of the Authority's bonds, the Authority pledges to transfer excess funds under any of the other trust estates to cure the deficiency. The Authority has no taxing power.

CREDIT FACILITIES

The 1985 Series and 1986 Series Bonds were secured by letters of credit issued by National Australia Bank Limited, acting through its New York Branch on December 31, 2006. These were replaced by letters of credit issued by Bayerische Landesbank, acting through its New York Branch, in February 2007. The 1997 Series and 1998 Series Bonds are secured by bond insurance policies from Ambac Assurance Corporation. The 1997 Series A Bonds are also secured by a standby bond purchase agreement with Dexia Crédit Local, acting through its New York Branch. The 2002 Series Bonds are not secured by a credit facility; however, each loan originated from the 2002 Series Bonds must be secured by a financial guaranty insurance policy. Ambac Assurance Corporation has insured one loan, and Financial Security Assurance Corporation has insured all of the remaining loans originated to date from the 2002 Series Bonds.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS

The Authority’s cash and cash equivalents are used to originate loans and to pay all the costs of operations of the Authority’s loan programs. Restricted cash equivalents are held as security for debt service payments on the Authority’s bond issues. All cash, cash equivalents, and restricted cash equivalents are held by the trustees of the Authority’s bond issues. Under the terms of the Covenant Agreement, as long as any Authority bonds are outstanding, the deposits are restricted for use in the Authority’s loan programs.

The Authority’s cash as of and for the year ended December 31, 2006, was invested in U.S. Treasury and Agency money market funds. The Authority’s cash equivalents and restricted cash equivalents were comprised of investments with maturities of 90 days or less and the Guaranteed Investment Contracts. The Guaranteed Investment Contracts are treated as cash equivalents and restricted cash equivalents because the interest rates are adjusted weekly and because the Authority can withdraw funds at par with no more than 7 days notice. The Authority had no realized gains or losses on investments during 2006. The Authority’s Cash, Cash Equivalents, and Restricted Cash Equivalents at December 31, 2006, are set forth below.

Cash, Cash Equivalents, and Restricted Cash Equivalents
as of December 31, 2006

Type of Current Asset	*1985 Series*	*1986 Series*	*1997 Series*	*1998 Series*	*2002 Series*	*Total*
Cash	$ 371,085	$ 3,213,841	$ -	$ 1	$ -	$ 3,584,927
Cash equivalents	4,267,456	3,472,672	14,770,416	41,686,078	29,962,434	94,159,056
Subtotal	4,638,541	6,686,513	14,770,416	41,686,079	29,962,434	97,743,983
Restricted cash equivalents	24,468,750	11,500,000	14,000,000	30,000,000	31,959,000	111,927,750
Total	$ 29,107,291	$ 18,186,513	$ 28,770,416	$ 71,686,079	$ 61,921,434	$ 209,671,733

The Indentures for the 1985 Series Bonds and the 1986 Series Bonds permit the Authority to invest in certain types of securities which include (i) obligations issued or guaranteed by the federal government, (ii) time deposits of banks with minimum ratings of “Aa” or “AA” by Moody’s Investors Services (“Moody’s”) and Standard and Poor’s Rating Group (“S&P”), respectively, (iii) commercial paper with minimum ratings of “P-1” or “A-1”, (iv) obligations of state or local governments with a minimum rating of “Aa” or “AA”, (v) repurchase agreements collateralized with obligations issued or guaranteed by the federal government, and (vi) mutual funds that invest in obligations issued or guaranteed by the federal government. The Authority’s cash, cash equivalents, and restricted cash equivalents are held by the Trustees for the benefit of the bondholders. The cash, cash equivalents, and restricted cash equivalents are not collateralized by the Trustees and are not insured by the Federal Deposit Insurance Corporation.

The bond insurance policies, issued by Ambac Assurance Corporation (“Ambac”), that secure the Authority’s 1997 Series Bonds and 1998 Series Bonds, require the Authority to invest all of the funds of the 1997 Series and 1998 Series loan programs in a Guaranteed Investment Contracts (each a “GIC”) approved by Ambac. IXIS Funding Corp. (“IXIS”), a wholly owned subsidiary of Caisse des Depots Group (“CDC”), a French public sector financial institution, provides the GIC’s for the 1997 Series loan program. Bayerishe Landesbank (“BayernLB”) provides the GIC’s for the 1998 Series loan program. IXIS and BayernLB pay the Authority an investment rate equal to a spread over the Bond Market Association Municipal Swap Index. CDC guaranteed the obligations of IXIS under the Guaranteed Investment Contracts. At the time the BayernLB GIC’s were awarded, they were guaranteed by the Free State of Bavaria and the Association of Bavarian Savings Banks. If the ratings applicable to the IXIS GIC’s or the BayernLB GIC’s drop below “Aa3” or “AA-,” Ambac may direct IXIS or BayernLB to (i) provide at least 104% collateralization of its obligations under the respective GIC with U.S. Treasury or certain Agency securities or (ii) to terminate the respective GIC and to pay the Authority the principal and accrued interest due. If Ambac directs collateralization, the collateral must be held by a third party, segregated, and marked to market at least weekly. The IXIS and BayernLB obligations were rated “Aaa” and “AAA” by Moody’s and S&P, respectively, on December 31, 2006.

The Trust Indenture of the 2002 Series Bonds require the Authority to invest all of the funds of the 2002 Series loan program in one or more GIC’s provided by a financial institution with long-term, senior, unsecured debt ratings (or equivalent ratings) of “Aa3” or higher by Moody’s and “AA-” or higher by S&P. IXIS provides the GIC’s that are currently outstanding for the funds. CDC guarantees the obligations of IXIS under the GIC’s. IXIS pays the Authority an investment rate equal to a spread over the Bond Market Association Municipal Swap Index. If the ratings of CDC drop below “Aa3” or “AA-,” the Authority may direct IXIS to (i) provide at least 104% collateralization of its obligations under the respective GIC with U.S. Treasury or certain Agency securities. If the ratings of CDC drop below “A3” or “A-” the Authority may terminate the respective GIC and require the provider to pay the Authority the principal and accrued interest due. The collateral must be held by a third party, segregated, and marked to market at least weekly. The IXIS obligation guaranteed by CDC were rated “Aaa” and “AAA” by Moody’s and S&P, respectively, on December 31, 2006.

The cost and fair value of the instruments that constitute the Cash Equivalents, and Restricted Cash Equivalents held by the Authority on December 31, 2006, are summarized below. The Authority records the fair value of the cash equivalents and restricted cash equivalents at the cost because the instruments either mature or can be liquidated at par within 90 days.

Cash Equivalents and Restricted Cash Equivalents
Cost and Fair Value as of December 31, 2006

Instrument	*Loan Program*	*Maturity*	*Cost*	*Fair Value*
Commercial paper	1985 Series	2-Jan-07	$ 28,736,206	$ 28,736,206
Commercial paper	1986 Series	3-Jan-07	14,972,672	14,972,672
Guaranteed investment contract	1997 Series	28-Jun-27	28,770,416	28,770,416
Guaranteed investment contract	1998 Series	27-Jul-28	71,686,079	71,686,079
Guaranteed investment contract	2002 Series	28-Jun-32	61,921,434	61,921,434
Total			$ 206,086,807	$ 206,086,807

Cash and cash equivalents include funds held to originate loans in the future and all of the Authority’s operating funds. Funds held to originate new loans were provided originally from the proceeds of the Authority’s bond issues. Other funds were provided from the Authority’s operations. The Authority’s cash and cash equivalents as of December 31, 2006, allocated by use are set forth below.

Cash and Cash Equivalents by Use of Funds
as of December 31, 2006

Type of Fund	*1985 Series*	*1986 Series*	*1997 Series*	*1998 Series*	*2002 Series*	*Total*
Funds designated for loans (1)	$ 4,038,020	$ 6,137,500	$ 8,907,000	$ 38,100,000	$ 18,891,000	$ 76,073,520
Funds available for operations	600,521	549,013	5,863,416	3,586,079	11,071,434	21,670,463
Total	$ 4,638,541	$ 6,686,513	$ 14,770,416	$ 41,686,079	$ 29,962,434	$ 97,743,983

(1) Funded from bond proceeds.

3. LOANS TO LOCAL GOVERNMENTS

The Authority originates loans to local governments to fund various capital projects pursuant to the terms, conditions, covenants and restrictions contained in the respective Trust Indentures, Promissory Notes, and Loan Agreements. Pledges of the full faith, credit, and taxing power of local government units secure the Loan Agreements. Principal on the loans is paid in accordance with amortization schedules established at closing. The interest rates on variable rate loans vary with market conditions. The average interest rate on variable rate loans during 2006 was approximately 3.44% for loans from the 1985, 1986, 1997, 1998, and 2002 Series loan programs. Fixed interest rates to borrowers in the 1997, 1998, and 2002 Series loan programs ranged from 2.10% to 5.427% for periods of one to twenty-five years.

Variable rate borrowers may prepay their loans in whole or part, with no penalty, with 40 days notice in the 1985 and 1986 Series loan programs and 30 days notice in the 1997, 1998, and 2002 Series loan programs. Fixed rate borrowers from the 1997, 1998, and 2002 Series loan programs may prepay in accordance with the provisions established at the time the loan was converted to a fixed rate.

The Authority had 219 loans with a principal amount of $915 million outstanding with 114 different local governments located in 10 counties as of December 31, 2006. Loans to Chester County accounted for 16.4% of the loans outstanding, and loans to Delaware County accounted for 15.3% of the total loans outstanding.

The program administrator and the credit enhancer of the Authority's bonds or the credit enhancer of the loan must review and approve the credit of each borrower. The program administrator and the credit enhancer also monitor, at least annually, the financial condition of all the borrowers. Given the review process and the general obligation pledge that secures every loan, the Authority does not reasonably expect to suffer any defaults. If a borrower did default, the Authority, the respective trustee, and/or the respective credit enhancer would exercise their legal rights to remedy the default; however, the enforcement of these legal rights may be limited by and subject to the provisions of the federal bankruptcy laws or other laws of equitable principles which may affect enforcement of the creditor's rights.

The Authority assesses and collects loan origination fees at the closing of the loans. The Authority has subsidized the costs of origination for some borrowers. For purposes of income recognition, these origination fees and subsidies are amortized over the respective terms of the loans.

The 2002 Series Bonds are not secured by a credit enhancement, but the Trust Indenture requires the Authority to secure a credit enhancement, from a provider with a financial guaranty rating of at least "Aa3" from Moody's and "AA-" from S&P, for each loan as it is originated. Ambac has provided a financial guaranty policy for one loan and Financial Security Assurance Corporation ("FSA") has provided financial guaranty policies for the remaining loans originated from the 2002 Series loan program. The financial guaranty ratings of Ambac and FSA on December 31, 2006, were "Aaa" from Moody's and "AAA" from S&P. The Authority has subsidized the fees of the financial guaranty policies; these financial guaranty fees are amortized over the respective terms of the loans.

Interest on the loans from the Authority's 1985, 1986, 1997, 1998, and 2002 Series loan programs is payable monthly. Principal on the loans is paid according to an amortization schedule established at the closing of each loan. Interest paid by borrowers on variable rate loans from the 1985 and 1986 Series loan programs is based on the remarketing rates of the Authority's 1985 Series Bonds and 1986 Series Bonds. Interest rates of fixed and variable rate loans from the 1997, 1998, and 2002 Series loan programs are based on the interest rates payable by the Authority under interest rate swap agreements executed for those loans.

The program administrator determines the administrative fee, if any, to assess borrowers for the liquidity requirements of the Authority. The amount charged to each borrower is based on the principal amount of the loan outstanding. The Authority periodically assessed administrative fees on the 1985 and 1986 Series loans in the period from 1988 to 1993. An administrative fee was assessed briefly for the 1997 Series loans; that charge was eliminated effective March 5, 1998. The Authority began assessing an administrative fee for all of its loan programs effective for the loan repayments due on February 25, 2003. As of December 31, 2006, the administrative fee was 0.40% for the 1997, 1998, and 2002 Series loan programs and 0.30% for the 1985 and 1986 Series loan programs.

The minimum principal payments due from loans to local governments are set forth below.

Delaware Valley Regional Finance Authority
Loan Principal Amortization Schedule

Year	*1985 Bonds*	*1986 Bonds*	*1997 Bonds*	*1998 Bonds*	*2002 Bonds*	*Total*
2007	$ 5,836,113	$ 10,088,500	$ 5,283,000	$ 20,013,000	$ 20,208,000	$ 61,428,613
2008	8,233,228	8,770,000	4,716,000	11,407,000	21,497,000	54,623,228
2009	9,140,454	10,293,000	4,887,000	11,593,000	23,652,000	59,565,454
2010	7,953,221	9,374,500	3,825,000	11,663,000	17,382,000	50,197,721
2011	8,246,690	9,721,500	4,222,000	10,416,000	18,168,000	50,774,190
Thereafter	77,083,524	49,115,000	94,160,000	166,808,000	251,402,000	638,568,524
Total	$ 116,493,230	$ 97,362,500	$ 117,093,000	$ 231,900,000	$ 352,309,000	$ 915,157,730

4. BONDS PAYABLE

The Authority has issued bonds periodically to provide funds (a) to lend to local governments to finance and refinance the costs of projects; (b) to create debt service reserve funds and capitalized interest funds; and (c) to pay all or a portion of the costs of issuance of the bonds. The bonds are limited obligations of the Authority, payable from and secured solely by the respective trust estate. The trust estate consists of the revenues from, and an assignment of, the loan agreements. The revenues consist of all (a) amounts received by the Authority pursuant to the loan agreements and the related security instruments; (b) monies and securities from time-to-time on deposit in the funds and accounts established by the Trust Indentures; and (c) proceeds derived from any of the funds and accounts. The Authority has entered into a Covenant Agreement that secures all of the bonds issued, and to be issued, by the Authority. Under the terms of the Covenant Agreement, in the event of a deficiency under any of the trust estates of the Authority's bonds, the Authority pledges to transfer excess funds under any of the other trust estates to cure the deficiency. The Authority has no taxing power. Below is a listing of the outstanding bond issues.

Bond Issues Outstanding on December 31, 2006

Bond Issue	*Credit Enhancement*	*Par Amount Outstanding*	*Unamortized Premium (Discount)*	*Outstanding Balance*
1985 Series	Letter of Credit (1)	$ 145,000,000	$ -	$ 145,000,000
1986 Series	Letter of Credit (2)	115,000,000		115,000,000
1997 Series	Bond insurance (3)(4)	140,000,000	1,943,038	141,943,038
1998 Series	Bond insurance (3)	300,000,000	15,760,950	315,760,950
2002 Series	----	375,000,000	22,127,154	397,127,154
Total		$ 1,075,000,000	$ 39,831,142	$ 1,114,831,142

(1) A letter of credit issued by National Australia Bank Limited was replaced with a letter of credit issued by Bayerische Landesbank, acting through its New York Branch, on February 1, 2007. The term of the new facility expires on February 1, 2017.

(2) A letter of credit issued by National Australia Bank Limited was replaced with a letter of credit issued by Bayerische Landesbank, acting through its New York Branch, on February 7, 2007. The term of the new facility expires on August 1, 2016.

(3) Municipal bond insurance policy issued by Ambac Assurance Corporation covers the bonds to maturity.

(4) A standby bond purchase agreement issued by Dexia Crédit Local, acting through its New York Branch, provides liquidity for the remarketing of the $70,000,000 Series A Bonds. The term expires on June 30, 2027.

Bond issuance costs consist of underwriting and professional fees incurred in connection with issuance of the various series of bonds. These costs are amortized using the straight-line method over the term of the respective bond issues. Below are the principal amortization schedules of the bonds outstanding.

Bond Principal Amortization Schedule

Year	1985 Bonds (1)	1986 Bonds (2)	1997 Bonds (4)(5)	1998 Bonds (2)	2002 Bonds (4)	Total
2007	$ -	$ -	$ -	$ -	$ -	$ -
2008						
2009						
2010						
2011						
Thereafter	145,000,000	115,000,000	140,000,000	300,000,000	375,000,000	1,075,000,000
Total	$ 145,000,000	$ 115,000,000	$ 140,000,000	$ 300,000,000	$ 375,000,000	$ 1,075,000,000

(1) Due on December 1.
(2) Due on August 1.
(3) Due on April 15.
(4) Due on July 1.
(5) The $70,000,000 Series A Bonds will be remarketed on July 1, 2007.

1985 SERIES AND 1986 SERIES BONDS

The 1985 Series and 1986 Series Bonds are currently remarketed in a weekly rate mode. The remarketing agent resets the interest rates on the Bonds effective every Wednesday. The interest rates are set at the minimum rate of interest, in the opinion of the remarketing agent, necessary to remarket the bonds in a secondary market transaction at par. The maximum interest rate, as defined in the respective letters of credit, is 15%. Interest on weekly rate bonds is paid monthly. Holders of the Bonds may, with seven days of notice, tender the bonds to the remarketing agent at par. Bonds are subject to optional redemption, in whole or part, and purchase by the Authority at par in the event that the Authority cannot or chooses not to operate the loan programs. The Bonds are also subject to mandatory redemption and purchase at par if the rating of the bonds is reduced as a consequence of the substitution of the letter of credit, if the Authority elects to switch to another interest rate mode as permitted in the Trust Indenture, or if certain other events have occurred as defined in each respective Trust Indenture.

The 1985 Series and 1986 Series Bonds fund revolving loan pool programs. When loans are repaid, the repayments are used to fund new loans to local governments.

1996 SERIES BONDS

The 1996 Series Bonds were issued in the par amount of $20,930,000, with an original issue discount of $152,594. The principal maturing on or after April 15, 2007, was subject to optional redemption by the Authority, in whole or part, at par, commencing on April 15, 2006. All of the loans outstanding that were originated with proceeds of the 1996 Series Bonds were prepaid between April 15 and May 31, 2006. As the loans were prepaid, the Authority redeemed the 1996 Series Bonds. The final redemption of the 1996 Series Bonds occurred on May 31, 2006.

1997 SERIES BONDS

The 1997 Series Bonds were issued in three series with a total par amount of $140,000,000. The 1997 Series Bonds are secured by a municipal bond insurance policy issued by Ambac Assurance Corporation. The interest rate on the $70,000,000 Series A Bonds is set at a variable rate, adjusted semiannually, equal to a spread over the Consumer Price Index. The maximum interest rate on the Series A Bonds is 15%, and the minimum interest rate is 0%. The $60,000,000 Series B Bonds and the $10,000,000 Series C Bonds were issued at fixed rates ranging from 5.60% to 7.75%. Interest on the 1997 Series Bonds is payable semiannually, and principal is payable annually. The Series C Bonds were issued at an original issue premium of $2,842,400; the original issue premium will be amortized over the 30 year term of the bonds using the straight line method.

The 1997 Series Bonds are not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the Bonds may be subject to extraordinary redemption. In the event of such an extraordinary redemption, Series A Bonds would be redeemed first, Series B Bonds second, and Series C Bonds last. Series A and Series B Bonds would be redeemed at par; Series C Bonds would be redeemed at the premiums set forth in the Trust Indenture.

The Series A Bonds will be remarketed on July 1, 2007. The Series A Bonds may be remarketed again as bonds indexed to the Consumer Price Index, as fixed rate bonds, or as weekly, variable rate demand bonds. The remarketing of the Series A Bonds is secured by a standby bond purchase agreement. On August 31, 2006, the standby bond purchase agreement issued by Credit Suisse First Boston, acting through its New York Branch, was assigned to Dexia Crédit Local (“Dexia”), acting through its New York Branch. If the Series A Bonds were to be purchased by Dexia under the standby bond purchase agreement, the maximum interest rate of the Series A Bonds would be 25%.

The Authority entered into an interest rate swap agreement for each series of bonds. Under the terms of the interest rate swap agreements, the Authority pays a rate indexed to the Bond Market Association Municipal Swap Index and receives payments indexed to the Consumer Price Index for the Series A Bonds and fixed rate payments for the Series B and Series C Bonds. The interest rate swap agreements allow the Authority to create a variable rate loan program comparable to the 1985 Series and 1986 Series loan programs. The ability to initiate new swap agreements enables the Authority to provide fixed rate loans to local governments from the same loan program.

The 1997 Series Bonds fund a revolving loan pool. Principal loan repayments will be used to originate new loans to local government units.

1998 SERIES BONDS

The 1998 Series Bonds were issued in three series with a total par amount of $300,000,000. The 1998 Series Bonds are secured by a municipal bond insurance policy issued by Ambac Assurance Corporation. The interest rate on the $250,000,000 Series A Bonds is set at a fixed rate of 5.50%, and interest is paid semiannually. The aggregate interest on the $25,000,000 Series B Bonds and the $25,000,000 Series C Bonds is equal to a fixed rate of 5.50%. Interest is paid to the holders of the Series B Bonds every four weeks, and the interest rate is determined by an auction that is held the business day prior to the interest payment date. Interest is paid semiannually to the holders of the Series C Bonds. The amount of interest paid to the holders of the Series C Bonds equals the difference between (a) 5.50% on the aggregate par amount of the Series B and Series C Bonds and (b) the amount of interest paid, or accrued for payment, to the holders of the Series B Bonds. The Series A Bonds were issued at an original issue premium of $18,060,000, and the Series B and Series C Bonds were issued at an aggregate premium of $3,785,000. The original issue premium will be amortized over the term of the bonds using the straight line method.

The 1998 Series Bonds are not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 1998 Series Bonds may be subject to extraordinary redemption at the premiums set forth in the Trust Indenture.

The Authority entered into interest rate swap agreements for each series of the 1998 Bonds. Under the terms of the interest rate swap agreements, the Authority pays amounts indexed to the Bond Market Association Municipal Swap Index and receives fixed payments. The interest rate swap agreements allow the Authority to create a variable rate loan program comparable to the 1985, 1986, and 1997 Series loan programs. The ability to initiate new swap agreements enables the Authority to provide fixed rate loans to local governments from the same loan program.

The 1998 Series Bonds fund a revolving loan pool. Principal loan repayments will be used to originate new loans to local government units.

2002 SERIES BONDS

The 2002 Series Bonds were issued in three series with a total par amount of $375,000,000. The interest rate on the $125,000,000 Series A Bonds is set at a fixed rate of 5.50%, the $125,000,000 Series B Bonds at 5.75%, and the $125,000,000 Series C Bonds at 5.75%. Interest is paid semiannually to the holders of the 2002 Series Bonds. The 2002 Series Bonds were issued at an original issue premium of $32,003,750. The original issue premium will be amortized over the terms of the bonds that produced the premiums using the straight line method.

The 2002 Series Bonds are not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 2002 Series Bonds may be subject to extraordinary redemption at the premiums set forth in the Trust Indenture.

The Authority entered into interest rate swap agreements for each series of the 2002 Bonds. Under the terms of the interest rate swap agreements, the Authority pays amounts indexed to the Bond Market Association Municipal Swap Index and receives fixed payments. The interest rate swap agreements allow the Authority to create a variable rate loan program comparable to the 1985, 1986, 1997, and 1998 Series loan programs. The ability to initiate new swap agreements enables the Authority to provide fixed rate loans to local governments from the same loan program.

The 2002 Series Bonds fund a revolving loan pool. Principal loan repayments will be used to originate new loans to local government units.

5. CREDIT FACILITIES

1985 SERIES BONDS

The Authority, as required by the Trust Indenture, maintains a direct draw letter of credit in the amount of $147,681,507 as security for principal and accrued interest on the bonds. The Authority entered into an agreement with National Australia Bank Limited (“NAB”), acting through its New York Branch, effective on June 22, 2005. The term of the letter of credit would expire on June 20, 2008, but the Authority replaced NAB with a letter of credit issued by Bayerische Landesbank (“BayernLB”), acting through its New York Branch, on February 1, 2007. The term of the BayernLB letter of credit expires on February 1, 2017. Facility fees totaling $341,317 were paid to NAB by the Authority for the direct draw letter of credit during 2006.

1986 SERIES BONDS

The Authority, as required by the Trust Indenture, maintains a direct draw letter of credit in the amount of $117,126,713 as security for principal and accrued interest on the bonds. The Authority entered into an agreement with NAB, acting through its New York Branch, effective on June 22, 2005. The term of the letter of credit would expire on June 20, 2008, but the Authority replaced NAB with a letter of credit issued by BayernLB, acting through its New York Branch, on February 7, 2007. The term of the BayernLB letter of credit expires on August 1, 2016. Facility fees totaling $271,191 were paid to NAB by the Authority for the direct draw letter of credit during 2006.

1997 SERIES BONDS

The payment of interest on and principal of the 1997 Series Bonds is secured by a municipal bond insurance policy issued by Ambac Assurance Corporation. Fees for the bond insurance were paid at closing; these fees were treated as a cost of issuance. The bond insurance is in effect for the term of the 1997 Series Bonds. As required by the Trust Indenture and the bond insurance policy, the Authority also maintains a standby bond purchase agreement in the amount of $75,293,150 as security for the principal and accrued interest on the 1997 Series A Bonds for the remarketing of those bonds on July 1, 2007. The Authority entered into an agreement with Credit Suisse First Boston, acting through its New York Branch, to provide the standby bond purchase agreement effective as of July 1, 1997; the term of this standby bond purchase agreement expires on June 30, 2027. The agreement with Credit Suisse First Boston was assigned to Dexia Crédit Local, acting through its New York Branch, on August 31, 2006. Facility fees totaling $69,709 were paid by the Authority for the standby bond purchase agreement during 2006.

1998 SERIES BONDS

The payment of interest on and principal of the 1998 Series Bonds is secured by a municipal bond insurance policy issued by Ambac Assurance Corporation. Fees for the bond insurance were paid at closing; these fees were treated as a cost of issuance. The bond insurance is in effect for the term of the 1998 Series Bonds.

2002 SERIES BONDS

The payment of interest on and principal of the 2002 Series Bonds is not secured by a municipal bond insurance policy; however, each loan originated from the 2002 Series Bonds must be secured by a financial guaranty insurance policy. Ambac Assurance Corporation has insured one loan, and Financial

Security Assurance Corporation has insured all of the other loans originated to date. Fees for the financial guaranty insurance policies are paid at the closing of each loan. The net costs of each financial guaranty insurance policy are amortized over the term of the insured loan.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has executed two Master Agreements for interest rates swaps with Merrill Lynch Capital Services ("MLCS"), a wholly owned subsidiary of Merrill Lynch & Co. ("Merrill Lynch"). The first Master Agreement (the "1997 Master Agreement"), dated as of June 30, 1997, was used to execute a series of interest rate swaps as part of the plans of finance for the 1997 Series Bonds and the 1998 Series Bonds. Ambac Assurance Corporation insures the Authority's obligations under the 1997 Master Agreement. Merrill Lynch guarantees the obligations of MLCS under the 1997 Master Agreement. As of December 31, 2006, Merrill Lynch was rated "Aa3" and "AA-" by Moody's and S&P, respectively. If the ratings of Merrill Lynch are reduced below "Aa3" by Moody's and "AA-" by S&P, Ambac may require MLCS to execute and deliver a collateral agreement to secure its obligations under the Master Agreement. Ambac must approve the execution of any confirmation for an interest rate swap under the 1997 Master Agreement.

The second Master Agreement (the "2002 Master Agreement"), dated as of May 9, 2002, was used to execute a series of interest rate swaps as part of the plan of finance for the 2002 Series Bonds. Merrill Lynch guarantees the obligations of MLCS under the 2002 Master Agreement. As of December 31, 2006, Merrill Lynch was rated "Aa3" and "AA-" by Moody's and S&P, respectively. If the ratings of Merrill Lynch are reduced below "Aa3" by Moody's and "AA-" by S&P, the Authority may terminate the 2002 Master Agreement or may require MLCS to execute and deliver a collateral agreement to secure its obligations under the 2002 Master Agreement.

The swaps executed under the Master Agreements enabled the Authority to provide an economic variable rate loan program. The swaps also allow participants in the 1997, 1998, and 2002 Series loan programs to convert their loans to a fixed rate. At the request of some of the participants, the Authority has executed a series of interest rate swaps to fix the interest rate on all or a portion of their loans. The Authority utilizes the accrual method to record the interest rate swap payments and receipts. Transactions for the year ended December 31, 2006, are reflected in the statement of revenues, expenses, and changes in fund equity. A summary of the interest rate swap agreements is set forth below:

Interest Rate Swap Agreements

	Notional Amounts		
Description	Initial Amount of Transaction	Outstanding as of December 31, 2006	Fair Value (1)
1997 Series Bonds	$ 140,000,000	$ 140,000,000	$ 10,676,225
1997 Series Loans	116,043,000	97,434,000	(2,565,903)
Subtotal	256,043,000	237,434,000	8,110,322
1998 Series Bonds	300,000,000	300,000,000	31,672,581
1998 Series Loans	114,826,000	73,079,000	(2,361,560)
Subtotal	414,826,000	373,079,000	29,311,021
2002 Series Bonds	375,000,000	375,000,000	24,617,545
2002 Series Loans	101,861,000	82,186,000	(196,985)
Subtotal	476,861,000	457,186,000	24,420,560
Total	$ 1,147,730,000	$ 1,067,699,000	$ 61,841,903

(1) The amount that the Authority would have received (paid) if the interest rate swap agreements were terminated on December 31, 2006.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The costs of the cash equivalents and restricted cash equivalents are reasonable estimates of the fair values because the cash equivalents and restricted cash equivalents have maturities of, or can be liquidated at par, in 90 days or less. The Authority uses the purchase prices of the variable rate loans receivable from the 1985, 1986, 1997, 1998, and 2002 Series loan programs and the costs of the bonds payable from the 1985 and 1986 Series as reasonable estimates of the fair values because the interest rates on those instruments are adjusted weekly with market conditions. Fair values of the fixed rate loans receivable from the 1996, 1997, 1998, and 2002 Series loan programs, and the bonds payable of the 1996, 1997, 1998, and 2002 Series have been estimated based upon market rates for similar securities with similar terms on December 31, 2006. The fair values of the interest rate swap agreements have been estimated based upon the termination payment the Authority would have received (paid) if the swap agreements were terminated on December 31, 2006. The carrying amounts and estimated fair values of the Authority's financial instruments as of December 31, 2006, are set forth below:

Comparisons of Carrying Value and Fair Value

	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	$ 97,743,983	$ 97,743,983
Restricted cash equivalents	111,927,750	111,927,750
Loans receivable		
1985 Series	116,493,230	116,493,230
1986 Series	97,362,500	97,362,500
1997 Series		
Variable rate loans	19,659,000	19,659,000
Fixed rate loans	97,434,000	94,868,097
1998 Series		
Variable rate loans	158,821,000	158,821,000
Fixed rate loans	73,079,000	70,717,440
2002 Series		
Variable rate loans	270,123,000	270,123,000
Fixed rate loans	82,186,000	81,989,015
Unamortized prepaid interest rate swap expense (2)	12,704,522	15,928,681
Liabilities:		
Bonds payable		
1985 Series	145,000,000	145,000,000
1986 Series	115,000,000	115,000,000
1997 Series (1)	141,943,038	153,495,165
1998 Series (1)	315,760,950	351,646,955
2002 Series (1)	397,127,154	435,089,263
Derivative financial instruments (2)	-	61,841,903

(1) Carrying value includes unamortized original issue discount or premium.
(2) Fair value is the net amount the Authority would have received (paid) if the interest rate swap agreements had been terminated on December 31, 2006.

PARENTERANDOLPH
Accountants & Consultants
The Power of Ideas

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

Board of Directors
Delaware Valley Regional Finance Authority
Media, Pennsylvania:

Our report on our audit of the basic financial statements of the Delaware Valley Regional Finance Authority for 2006 appears on page 2. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 44 through 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Parente Randolph, LLC
Philadelphia, Pennsylvania
April 10, 2007

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

ADDITIONAL BALANCE SHEET INFORMATION
DECEMBER 31, 2006

ASSETS	*1985 Series*	*1986 Series*	*1996 Series* (1)	*1997 Series*	*1998 Series*	*2002 Series*	*Total*
CURRENT ASSETS:							
Cash and cash equivalents	$ 4,638,541	$ 6,686,513	$ -	$ 14,770,416	$ 41,686,079	$ 29,962,434	$ 97,743,983
Restricted cash equivalents	24,468,750	11,500,000		14,000,000	30,000,000	31,959,000	111,927,750
Accrued interest receivable:							
Loans	363,260	263,704		115,618	450,932	738,709	1,932,223
Interest rate swaps	-	-		-	5,937,917		5,937,917
Investments in cash equivalents	132,519	57,876		20,979	54,363	40,747	306,484
Finance charge receivable	29,684	22,948		11,840	48,539	80,639	193,650
Prepaid expenses	18,750	25,525		15,000	20,417		79,692
Unamortized prepaid interest rate swap expense, current				6,868	581,725		588,593
Loan insurance fees, current						78,904	78,904
Bond issuance costs, current	73,227	41,339		104,747	174,161	128,024	521,498
Loans, current	5,836,113	10,088,500	-	5,283,000	20,013,000	20,208,000	61,428,613
Total current assets	35,560,844	28,686,405	-	34,328,468	98,967,133	83,196,457	280,739,307
OTHER ASSETS:							
Loans, net	110,657,117	87,274,000	-	111,810,000	211,887,000	332,101,000	853,729,117
Unamortized prepaid interest rate swap expense, net	-	-	-	133,992	11,981,937	-	12,115,929
Loan insurance fees, net	-	-	-	-	-	1,006,062	1,006,062
Bond issuance costs, net	942,084	354,813	-	2,043,567	3,587,242	3,138,530	10,066,236
Total other assets	111,599,201	87,628,813	-	113,987,559	227,456,179	336,245,592	876,917,344
TOTAL	$147,160,045	$116,315,218	$ -	$148,316,027	$326,423,312	$419,442,049	$1,157,656,651

LIABILITIES AND FUND EQUITY	*1985 Series*	*1986 Series*	*1996 Series* (1)	*1997 Series*	*1998 Series*	*2002 Series*	*Total*
CURRENT LIABILITIES:							
Accrued expenses	$ 65,612	$ 46,069	$ -	$ 14,264	$ -	$ 26,000	$ 151,945
Bond original issue premium, current	-	-		94,738	729,766	2,174,281	2,998,785
Loan origination fees, current	5,163	5,006		1,807	(5,725)		6,251
Accrued interest payable:							
Swaps				426,478	1,097,766	1,169,445	2,693,689
Bonds	452,122	303,758	-	4,490,004	6,527,821	10,625,000	22,398,705
Total current liabilities	522,897	354,833	-	5,027,291	8,349,628	13,994,726	28,249,375
LONG TERM LIABILITIES:							
Bonds payable, net	145,000,000	115,000,000		140,000,000	300,000,000	375,000,000	1,075,000,000
Bond original issue premium, net				1,848,300	15,031,184	19,952,873	36,832,357
Loan origination fees, net	49,548	35,142	-	7,871	(82,418)	-	10,143
Total long term liabilities	145,049,548	115,035,142	-	141,856,171	314,948,766	394,952,873	1,111,842,500
Total liabilities	145,572,445	115,389,975	-	146,883,462	323,298,394	408,947,599	1,140,091,875
FUND EQUITY	1,587,600	925,243	-	1,432,565	3,124,918	10,494,450	17,564,776
TOTAL	$147,160,045	$116,315,218	$ -	$148,316,027	$326,423,312	$419,442,049	$1,157,656,651

(1) The 1996 Series Bonds were redeemed in April and May 2006.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

ADDITIONAL STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2006

	1985 Series	1986 Series	1996 Series (1)	1997 Series	1998 Series	2002 Series	Total
Revenues:							
Interest income:							
Loans	$ 2,930,310	$ 3,479,825	$ 278,573	$ 4,734,852	$ 8,653,006	$12,477,317	$32,553,883
Interest rate swaps				7,944,088	14,251,000	16,641,023	38,836,111
Investments in cash equivalents	3,064,442	748,763	256	1,140,387	3,280,731	2,000,450	10,235,029
Finance charge	303,254	406,183	14,976	487,462	1,037,515	1,586,938	3,836,328
Amortization of bond original issue premium				94,738	729,766	2,174,281	2,998,785
Amortization of loan original issue discount			92,161				92,161
Amortization of loan origination fees	4,745	5,018	34,820	3,950	(920)	-	47,613
Total Revenues	6,302,751	4,639,789	420,786	14,405,477	27,951,098	34,880,009	88,599,910
Expenses:							
Interest expense:							
Bonds	5,011,399	3,974,558	278,573	8,361,888	16,500,000	21,250,000	55,376,418
Interest rate swaps				5,477,939	9,951,842	12,989,292	28,419,073
Credit or liquidity facility fees	341,467	269,191		83,973			694,631
Administrative expenses	232,470	285,781	4,977	88,192	154,504	234,647	1,000,571
Amortization of bond original issue discount			92,161				92,161
Amortization of loan insurance fees						94,362	94,362
Amortization of bond issuance costs	73,227	41,339	262,850	104,747	174,161	128,024	784,348
Total Expenses	5,658,563	4,570,869	638,561	14,116,739	26,780,507	34,696,325	86,461,564
Revenues over (under) expenses	644,188	68,920	(217,775)	288,738	1,170,591	183,684	2,138,346
Transfers in (out)	(627,036)		(22,964)	(350,000)	(950,000)	1,950,000	
Fund equity, beginning	1,570,448	856,323	240,739	1,493,827	2,904,327	8,360,766	15,426,430
Fund equity, ending	$ 1,587,600	$ 925,243	$ -	$ 1,432,565	$ 3,124,918	$10,494,450	$17,564,776

(1) The 1996 Series Bonds were redeemed in April and May 2006.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

ADDITIONAL STATEMENT OF CASH FLOWS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006

	1985 Series	*1986 Series*	*1996 Series* (1)	*1997 Series*	*1998 Series*	*2002 Series*	*Total*
CASH FLOWS FROM OPERATING ACTIVITIES:							
Excess of revenues over (under) expenses	$ 644,188	$ 68,920	$ (217,775)	$ 288,738	$ 1,170,591	$ 183,684	$ 2,138,346
Add interest expense on bonds and interest rate swap expense	5,011,399	3,974,558	278,573	13,839,827	26,451,842	34,239,292	83,795,491
Less interest earned on loans to local governments and interest rate swap income	(2,930,310)	(3,479,825)	(278,573)	(12,678,940)	(22,904,006)	(29,118,340)	(71,389,994)
Excess of operating revenues over operating expenses	2,725,277	563,653	(217,775)	1,449,625	4,718,427	5,304,636	14,543,843
Loans to local governments	(68,500,000)	-	-	(5,329,000)	(10,100,000)	(20,937,000)	(104,866,000)
Principal repayments of loans to local governments	4,052,591	3,939,500	14,720,000	10,170,000	25,533,000	22,475,000	80,890,091
Interest received on loans to local governments and interest rate swap agreements	2,705,453	3,436,180	458,833	12,695,245	22,970,888	29,163,843	71,430,442
Loan origination fees	33,450			1,440	3,650		38,540
Adjustments for revenues not generating cash:							
Amortization of loan origination fees	(4,745)	(5,018)	(34,820)	(3,950)	920		(47,613)
Amortization of loan original issue discount			(92,161)				(92,161)
Amortization of bond original issue premium				(94,738)	(729,766)	(2,174,281)	(2,998,785)
Adjustments for expenses not reducing cash:							
Amortization of bond original issue discount			92,161				92,161
Amortization of loan insurance fees						94,362	94,362
Amortization of bond issuance costs	73,227	41,339	262,850	104,747	174,161	128,024	784,348
Adjustments for changes in assets and liabilities:							
Accrued interest receivable on investments	211,122	(17,332)		(8,874)	(23,084)	(12,802)	149,030
Accrued finance charge receivable	(7,577)	11,831	9,323	5,341	31,831	42,441	93,190
Prepaid expenses		898	3,386	(5,000)	(2,917)	-	(3,633)
Loan insurance fees						(76,016)	(76,016)
Accrued expenses	6,025	-	-	14,264	-	(7,750)	12,539
Net cash provided by (used in) operating activities	(58,705,177)	7,971,051	15,201,797	18,999,100	42,577,110	34,000,457	60,044,338
CASH FLOWS FROM FINANCING ACTIVITIES:							
Transfers	(627,036)		(22,964)	(350,000)	(950,000)	1,950,000	
Payment of bond principal			(14,720,000)				(14,720,000)
Payment of interest on bonds and interest rate swap agreements	(4,944,778)	(3,920,020)	(458,833)	(13,284,748)	(25,988,970)	(34,126,945)	(82,724,294)
Net cash used in financing activities	(5,571,814)	(3,920,020)	(15,201,797)	(13,634,748)	(26,938,970)	(32,176,945)	(97,444,294)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(64,276,991)	4,051,031	-	5,364,352	15,638,140	1,823,512	(37,399,956)
CASH AND CASH EQUIVALENTS, BEGINNING	68,915,532	2,635,482	-	9,406,064	26,047,939	28,138,922	135,143,939
CASH AND CASH EQUIVALENTS, ENDING	$ 4,638,541	$ 6,686,513	$ -	$14,770,416	$41,686,079	$29,962,434	$ 97,743,983

(1) The 1996 Series Bonds were redeemed in April and May 2006.

Appendix II:
COVENANT AGREEMENT

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

COVENANT AGREEMENT

This Covenant Agreement (the "Agreement") originally adopted on April 9, 2001, by the Delaware Valley Regional Finance Authority (the "Authority") for the benefit of the holders of any and all Bond Series, as defined herein as amended and restated on April 23, 2002, and April 12, 2004, is hereby amended and restated as of June 28, 2007.

Whereas, the Authority has issued bonds (the "Outstanding Bond Series") to provide funds for loans to local government units (the "Pooled Loan Program"):

1. $145,000,000 Adjustable Rate Local Government Revenue Bonds, Series 1985 A, 1985 B, 1985 C and 1985 D pursuant to the provisions of a Trust Indenture dated December 30, 1985 (the "1985 Indenture").

2. $115,000,000 Local Government Revenue Bonds, Series 1986 Bi-Modal Multiple-Term Format (the "1986 Bonds") pursuant to an Indenture of Trust dated as of August 28, 1986, as amended and restated as of May 13, 1988 (the "1986 Indenture").

3. $140,000,000 Local Government Revenue Bonds, 1997 Series A, B and C (the "1997 Bonds") pursuant to a Trust Indenture dated as of July 1, 1997 (the "1997 Indenture").

4. $300,000,000 Local Government Revenue Bonds, 1998 Series A, B and C (the "1998 Bonds") pursuant to a Trust Indenture dated as of August 1, 1998 (the "1998 Indenture").

5. $375,000,000 Local Government Revenue Bonds, Series of 2002 pursuant to a Trust Indenture dated as of May 1, 2002 (the "2002 Indenture").

Whereas, the 1985 Indenture permits monies in the Earnings Fund, when Parity (as therein defined) exists, to be transferred as otherwise directed by the Program Administrator; the 1986 Indenture permits amounts on deposit in the Surplus Fund to be transferred, *inter alia*, to the Authority free and clear of the trusts created by the 1986 Indenture; the 1997 Indenture permits amounts deposited in the Discretionary Fund, when Parity (as therein defined) exists to be used at the direction of the Authority for any lawful purpose; the 1998 Indenture permits amounts deposited in the Discretionary Fund when Parity (as therein defined) exists to be used at the direction of the Authority for any lawful purpose, and the 2002 Indenture permits payments to the Authority from moneys in the Discretionary Fund under the 2002 Indenture which receive a favorable opinion of Bond Counsel; provided that at the time of such payment, no Termination Payment under a Swap Agreement (as each term is defined under the 2002 Indenture) is then due and owing.

Whereas, the Authority may, in the future, issue additional series of bonds under other indentures for the purposes of further implementing its Pooled Loan Program, specifically, on the date hereof, the Authority is entering into a Master Trust Indenture pursuant to which the Authority will, on the date hereof and from time to time hereafter, issue one or more series of bonds (the "Future Bond Series"), all of which shall be secured under the Master Indenture.

Whereas, the Master Indenture provides that the Program Administrator may, from time to time, direct the transfer of funds in the Revenue Fund to the Discretionary Fund created thereunder, and that funds in the Discretionary Fund may be used by the Authority for any purpose, inter alia, to make payments pursuant to this Covenant Agreement, provided that no Termination Payment is due and owing.

Whereas, the Authority has accumulated in each of the 1985 Indenture, the 1986 Indenture, the 1997 Indenture, the 1998 Indenture and the 2002 Indenture amounts which, as provided therein, can be paid to and used by the Authority for any purpose, and the Authority expects, from time to time, amounts to be in the Discretionary Fund under the Master Indenture, which, as provided therein, can be used for the purpose set forth in this Covenant Agreement (collectively, the "Excess Funds").

Whereas, the Authority wishes to enhance the marketability of the Outstanding Bond Series and the Future Bond Series (collectively, the "Bond Series") in order to reduce the costs of its Pooled Loan Program.

NOW, THEREFORE, in consideration of the benefits to be obtained by it as a result of the execution and delivery of this Covenant Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority hereby covenants as follows:

1. The Authority hereby authorizes and directs the Program Administrator to transfer Excess Funds to (i) replenish any deficiency of the debt service reserve fund of any Bond Series that cannot be restored from the available funds of that Bond Series or (ii) pay any debt service (including debt service as a result of any provider of a credit facility failing to honor a draw on such credit facility for the payment of debt service), periodic scheduled payments on interest rate swap agreements, Administrative Expenses and Termination Payments that cannot be paid from the available funds of a Bond Series.

2. The Authority hereby authorizes and directs the Program Administrator to review the sufficiency of the available funds of each Bond Series and to transfer Excess Funds among the Bond Series, as needed, on a monthly basis.

3. The Authority hereby covenants, as long as any Bond Series is outstanding, to restrict the use of any Excess Funds to (i) replenish any deficiency of the debt service reserve fund of any Bond Series that cannot be restored from the available funds of that Bonds Series or (ii) pay any debt service payments (including debt service as a result of any provider of a credit facility failing to honor a draw on such credit facility for the payment of debt service), periodic scheduled payments on interest rate swap agreements, Administrative Expenses and Termination Payments that cannot be paid from the available funds of a Bond Series.

4. As used in this Covenant Agreement, the term "Administrative Expenses" means any expenditures of the Authority reasonably and necessarily incurred by the Authority by reason of its issuance of any Bond Series or for the Pooled Loan Program, as determined by the Program Administrator, including, without limitation, compliance charges with

respect to securities disclosure requirements, auditing fees and expenses, extraordinary payments with respect to arbitrage rebate or negotiated closing agreements with the Internal Revenue Service, non-asset bond costs, costs associated with rebate compliance, the fees and expenses of trustees, the Program Administrator and rebate analysts, all other legal, financing and administrative expenses incurred by the Authority with respect to the Pooled Loan Program, the maintenance of prudent levels of liquidity to provide sufficient levels of operating cash flow, as determined by the Program Administrator and any expenses incurred by the Authority or trustees to compel full and punctual performance of all the provisions of all documents related to the Pooled Loan Program.

5. As used in this Covenant Agreement, the term “Termination Payments” means amounts, other than periodic scheduled payments, payable by the Authority under an agreement which in the judgment of the Authority, is designed to manage interest rate risk or interest cost of the Authority or its borrowers under the Pooled Loan Program and which is entered into by the Authority with respect to any Bond Series.

6. The Authority hereby covenants with respect to each Bond Series that it will make loans from time to time from such Bond Series only to the extent that the principal repayment of such loans scheduled to be made in accordance with the terms of each such loan, together with other available monies in such Bond Series, including, for such purpose, monies available in the debt service reserve fund for such Bond Series, to the extent that the reserve requirement thereof is required to be reduced in connection with the payment of principal of bonds of such Bond Series, is sufficient to pay, when due, the principal on any bonds of such Bond Series.

7. This Agreement shall automatically terminate when all Outstanding Bond Series have been paid or deemed paid and are no longer outstanding.

IN WITNESS WHEREOF, the Chairman and Secretary have hereunto set their hands and the seal of the Authority the day and year above first written.

DELAWARE VALLEY REGIONAL FINANCE AUTHORITY

Attest: /s/ CHARLES O. MARTE, JR.
Secretary

By: /s/ JOSEPH E. BRION
Chairman

Appendix III:

LOANS OUTSTANDING, LOANS IN PROCESS, AND LOAN APPLICATIONS

Loans Outstanding, Loans in Process, and Loan Applications as of June 1, 2007

Participant	*1985 Series*	*1986 Series*	*1997 Series*	*1998 Series*	*2002 Series*	*2007 Series*	*Total*	*Type of Borrower*	*County*	*Ratings* Moody's	S&P
Loans Outstanding											
Aston Township	$ 20,000	$ -	$ -	$ -	$ -	$ -	$ 20,000	Township	Delaware	A3	---
Atglen Borough			138,000				138,000	Borough	Delaware	---	---
Avondale Borough		289,000		621,000			910,000	Borough	Chester	---	---
Bensalem Township				23,860,000			23,860,000	Township	Bucks	Aa3	---
Birmingham Township			396,000				396,000	Township	Chester	---	---
Brandywine Heights Area School District					19,815,000		19,815,000	School	Berks	A3	---
Bristol Borough	21,177		99,000				120,177	Borough	Bucks	---	---
Bristol Township School District			895,000				895,000	School	Bucks	---	A
Buckingham Township				2,399,000			2,399,000	Township	Bucks	Aa2	---
Bucks County	11,723,000	13,005,000			15,599,000		40,327,000	County	Bucks	Aa1	AA-
Bucks County Airport Authority			3,318,000	1,900,000			5,218,000	Township	Bucks	---	---
Bucks County Community College				5,321,000	6,354,000		11,675,000	County	Bucks	Aa1	AA-
Caln Township					2,143,000		2,143,000	Township	Chester	---	---
Central Bucks School District					336,000		336,000	School	Bucks	Aa3	---
Chadds Ford Township			559,000				559,000	Township	Chester	---	---
Chester County	89,146,000	61,067,000					150,213,000	County	Chester	Aaa	---
Coatesville Area School District				21,810,000			21,810,000	School	Chester	A3	A
Colonial School District				140,000			140,000	School	Montgomery	A1	---
Delaware County		19,995,000			69,995,000	49,910,000 (1)	139,900,000	County	Delaware	Aa2	AA
East Bradford Township					10,658,000		10,658,000	Township	Chester	---	---
East Goshen Municipal Authority			882,000				882,000	Township	Chester	---	---
East Goshen Township			242,000	8,078,000			8,320,000	Township	Chester	A1	---
East Norriton Township				1,689,000			1,689,000	Township	Montgomery	---	---
East Rockhill Township			266,000	1,711,000			1,977,000	Township	Bucks	---	---
East Vincent Township					2,219,000		2,219,000	Township	Chester	---	---
Easton Area School District					23,640,000		23,640,000	School	Northampton	A2	---
Forbes Road School District					8,309,000		8,309,000	School	Fulton	---	A
Franklin Township			525,000				525,000	Township	Chester	---	---
Garnet Valley School District		1,278,000	208,000	1,000,000	13,436,000		15,922,000	School	Delaware	A1	A
Glenolden Borough					832,000		832,000	Borough	Delaware	---	---
Hatboro-Horsham School District					4,985,000		4,985,000	School	Montgomery	Aa3	---
Hatfield Borough				1,520,000	2,049,000		3,569,000	Borough	Montgomery	---	---
Hatfield Township				5,000,000	2,060,000		7,060,000	Township	Montgomery	---	---
Highland Township				1,200,000			1,200,000	Township	Chester	---	---
Kennett Square Borough				1,937,000			1,937,000	Borough	Chester	A3	---
Lampeter-Strasburg School District					13,170,000		13,170,000	School	Lancaster	A2	---
Lancaster County					25,030,000		25,030,000	County	Lancaster	Aa3	---
Lansdowne Borough				1,116,000			1,116,000	Borough	Delaware	---	---
Limerick Township Municipal Authority				7,664,000			7,664,000	Authority	Montgomery	---	---

Loans Outstanding, Loans in Process, and Loan Applications as of June 1, 2007

Participant	1985 Series	1986 Series	1997 Series	1998 Series	2002 Series	2007 Series		Total	Type of Borrower	County	Ratings Moody's	Ratings S&P
London Britain Township			767,000					767,000	Township	Chester	---	---
London Grove Township			427,000					427,000	Township	Chester	---	---
London Grove Township Municipal Authority				1,888,000				1,888,000	Authority	Chester	---	---
Lower Gwynedd Township				1,003,000	1,593,000			2,596,000	Township	Montgomery	Aa2	---
Lower Makefield Township				7,955,000	3,470,000	6,395,000	(1)	17,820,000	Township	Bucks	Aa2	---
Lower Pottsgrove Township				820,000				820,000	Township	Montgomery	---	---
Lower Providence Township					2,559,000			2,559,000	Township	Montgomery	A1	A+
Lower Salford Township				11,299,000	4,389,000			15,688,000	Township	Montgomery	---	---
Malvern Borough					2,497,000			2,497,000	Borough	Chester	A3	---
Marcus Hook Borough			1,855,000					1,855,000	Township	Delaware	---	---
Middletown Township (Bucks)	598,013							598,013	Township	Bucks	A1	---
Middletown Township (Delaware)	215,000							215,000	Township	Delaware	---	---
Millersville Borough			3,078,000	1,016,000				4,094,000	Township	Lancaster	A3	---
Montgomery County					10,853,000			10,853,000	County	Montgomery	Aaa	---
Morrisville Borough School District			1,694,000					1,694,000	Township	Bucks	---	---
Morton Borough	43,253							43,253	Borough	Delaware	---	---
Nether Providence Township			1,174,000		3,650,000			4,824,000	Township	Delaware	---	---
New Britain Township			3,315,000					3,315,000	Township	Bucks	A1	---
New Garden Township Sewer Authority				1,854,000	5,265,000			7,119,000	Authority	Chester	---	---
New Hanover Township				6,678,000				6,678,000	Township	Montgomery	---	---
New Hanover Township Authority					2,212,000			2,212,000	Authority	Montgomery	---	---
Norristown Area School District				105,000				105,000	School	Montgomery	A1	---
North Coventry Township				3,080,000	2,152,000			5,232,000	Township	Chester	---	---
North Coventry Water Authority					1,849,000			1,849,000	Authority	Chester	---	---
North Wales Borough					859,000			859,000	Borough	Montgomery	---	---
Norwood Borough			555,000					555,000	Township	Delaware	---	---
Oxford Township			1,852,000					1,852,000	Township	Adams	---	---
Parkesburg Borough					1,726,000			1,726,000	Borough	Chester	---	---
Penndel Borough			1,000,000					1,000,000	Borough	Bucks	---	---
Pennsbury Township			439,000					439,000	Township	Chester	---	---
Pennsbury Township			314,000					314,000	Township	Chester	---	---
Pequea Valley School District					1,535,000			1,535,000	School	Lancaster	---	---
Perkasie Borough				4,965,000	1,276,000			6,241,000	Borough	Bucks	---	---
Phoenixville Borough	532,000			487,000				1,019,000	Borough	Chester	A3	---
Pocopson Township		325,000						325,000	Township	Chester	---	---
Pottstown Borough				589,000				589,000	Borough	Montgomery	---	---
Pottstown Borough Authority				1,898,000				1,898,000	Authority	Montgomery	Baa1	---
Pottstown School District				10,678,000	1,754,000			12,432,000	School	Montgomery	---	A
Quakertown Community School District	10,886,000		2,754,000	17,305,000	27,387,000			58,332,000	School	Bucks	---	---
Radnor Township School District				15,000,000				15,000,000	School	Delaware	Aa3	---

Loans Outstanding, Loans in Process, and Loan Applications as of June 1, 2007

								Type of		Ratings	
Participant	*1985 Series*	*1986 Series*	*1997 Series*	*1998 Series*	*2002 Series*	*2007 Series*	*Total*	*Borrower*	*County*	Moody's	S&P
Ridley Township			1,500,000				1,500,000	Township	Delaware	---	---
Rockledge Borough			715,000				715,000	Borough	Montgomery	---	---
Sadsbury Township			1,027,000		3,236,000		4,263,000	Township	Chester	---	---
Solebury Township				7,654,000	2,428,000		10,082,000	Township	Bucks	Aa3	---
South Coventry Township			1,870,000				1,870,000	Township	Chester	---	---
South Eastern School District					9,361,000		9,361,000	School	York	A2	A
Southeast Delco School District				1,796,000			1,796,000	School	Delaware	---	---
Southern Delaware County Authority			624,000				624,000	Township	Delaware	---	---
Springfield Township			5,650,000	1,059,000			6,709,000	Township	Delaware	---	---
Swarthmore Borough			559,000	1,771,000	842,000		3,172,000	Borough	Delaware	---	---
Tinicum Township				1,202,000	4,324,000		5,526,000	Township	Delaware	---	---
Towamencin Township				5,730,000	5,450,000		11,180,000	Township	Montgomery	---	---
Trumbauersville Borough		300,000					300,000	Borough	Bucks	---	---
Upper Chichester Township				279,000	1,046,000		1,325,000	Township	Delaware	---	---
Upper Darby Township					7,495,000		7,495,000	Township	Delaware	---	---
Upper Dublin Township			4,626,000				4,626,000	Township	Montgomery	Aa3	---
Upper Gwynedd Township				255,000			255,000	Township	Montgomery	---	---
Upper Pottsgrove Township				1,376,000	2,150,000		3,526,000	Township	Montgomery	---	---
Upper Providence Township (Delaware)				1,088,000			1,088,000	Township	Delaware	---	---
Upper Providence Township Sewer Authority				4,182,000			4,182,000	Authority	Delaware	---	---
Upper Salford Township			810,000				810,000	Township	Montgomery	---	---
Upper Southampton Township				3,045,000	1,714,000		4,759,000	Township	Bucks	A2	---
Upper Southampton Township Municipal Authority				1,700,000			1,700,000	Authority	Bucks	---	---
Uwchlan Township			970,000		5,772,000		6,742,000	Township	Chester	---	---
Wallace Township			461,000				461,000	Township	Chester	---	---
Wallingford-Swarthmore School District	2,999,000						2,999,000	School	Delaware	---	AA-
West Chester Area School District				9,250,000			9,250,000	School	Chester	Aa1	---
West Chester Borough			2,346,000	4,652,000		2,200,000 (1)	9,198,000	Township	Chester	A3	---
West Goshen Sewer Authority						4,391,000 (1)	4,391,000	Authority	Chester	Aa3	---
West Goshen Township		596,000	4,418,000				5,014,000	Township	Chester	---	---
West Grove Borough			802,000	1,224,000			2,026,000	Borough	Chester	---	---
West Sadsbury Township				973,000			973,000	Township	Chester	---	---
Whitemarsh Township				518,000			518,000	Township	Montgomery	---	---
Whitpain Township	-	-	-	8,681,000	3,152,000	-	11,833,000	Township	Montgomery	---	---
Total Loans Outstanding	116,183,443	96,855,000	53,130,000	230,021,000	342,626,000	62,896,000	901,711,443				

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Loans Outstanding, Loans in Process, and Loan Applications as of June 1, 2007

Participant	1985 Series	1986 Series	1997 Series	1998 Series	2002 Series	2007 Series	Total		Type of Borrower	County	Ratings Moody's	Ratings S&P
Loans in Process												
Bridgeport Borough			770,000				770,000		Borough	Montgomery	---	---
Lower Oxford Township			1,000,000				1,000,000		Township	Chester	---	---
Morton Borough			250,000				250,000		Borough	Delaware	---	---
Chester County				30,000,000	20,000,000		50,000,000	(2)	County	Chester	Aaa	---
Delaware County						26,720,000	26,720,000		County	Delaware	Aa2	AA
Millersville Borough						3,725,000	3,725,000		Township	Montgomery	A1	---
Perkasie Borough				1,600,000			1,600,000		Borough	Bucks	---	---
Chadds Ford Township Sewer Authority			3,200,000				3,200,000	(2)	Authority	Delaware	---	---
East Nottingham Township				4,000,000			4,000,000	(2)	Township	Chester	---	---
Upper Darby Township				3,500,000	3,500,000		7,000,000		Township	Delaware	---	---
Whitemarsh Township	-	-	-	-	4,500,000	-	4,500,000	(2)	Township	Montgomery	---	---
Total Loans in Process	-	-	5,220,000	39,100,000	28,000,000	30,445,000	102,765,000					
Total Loans Outstanding and Loans in Process	$ 116,183,443	$ 96,855,000	$ 58,350,000	$ 269,121,000	$ 370,626,000	$ 93,341,000	$ 1,004,476,443					
Applications Pending												
Chester County							$ 65,000,000	(2)	County	Chester	Aaa	---
Delaware County							45,000,000	(2)	County	Delaware	Aa2	AA
East Goshen Municipal Authority							10,000,000	(2)	Authority	Chester	---	---
Franconia Township							8,000,000	(2)	Township	Montgomery	---	---
Honey Brook Township							3,500,000	(2)	Township	Chester	---	---
Total Applications Pending							$ 131,500,000					

(1) Reflects the redemption of the 1997 A Bonds and the transfer of Loan Agreements to the 2007 Bonds.
(2) Preliminary, subject to change.

Appendix IV:

FORM OF OPINION OF BOND COUNSEL

APPENDIX IV

FORM OF OPINION OF BOND COUNSEL

_______, 2007

Re: $___________ Delaware Valley Regional Finance Authority (Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania) Local Government Revenue Bonds, 2007 Series A, B and C

To the Purchasers of the Within-Described Bonds:

We have served as bond counsel in connection with the issuance by the Delaware Valley Regional Finance Authority ("Authority") of its $___________ Local Government Revenue Bonds, 2007 Series A, B and C (collectively, the "Bonds"). The Authority is a body corporate and politic, existing under the laws of the Commonwealth of Pennsylvania ("Commonwealth") pursuant to the Municipality Authorities Act, 53 Pa. C.S. Ch. 56, as supplemented and amended ("Act"), having been organized by the Council of Delaware County, and the Boards of County Commissioners of Bucks, Chester and Montgomery Counties, Pennsylvania ("Counties"). Capitalized terms used herein and not otherwise defined herein, shall have the meanings set forth in the Indenture (as defined below).

The Bonds are issued under and pursuant to (i) the Act, (ii) a Resolution adopted by the Board of the Authority ("Board") on June 11, 2007 ("Resolution") and (iii) a Master Trust Indenture ("Master Trust Indenture") and First Supplemental Trust Indenture ("First Supplemental Trust Indenture", and together with the Master Trust Indenture, the "Indenture"), each dated as of June 28, 2007, by and between the Authority and Commerce Bank, N.A., as trustee ("Trustee"), for the purpose of (i) providing funds to originate or acquire Loans (as hereinafter defined) to (a) Local Government Units (as such term is defined in the Local Government Unit Debt Act, 53 Pa. C.S.A. §8001 *et. seq*. ("Debt Act")), or (b) other political subdivisions whose obligations to the Authority are guaranteed by a Local Government Unit ((a) and (b) each herein, a "Participant"), (ii) redeem a portion of the Authority's $70,000,000, Local Government Revenue Bonds, 1997 Series A, (iii) fund a debt service reserve fund, and (iv) pay costs related to the issuance of the Bonds.

A portion of the Bonds are issued to provide funds to make loans (individually a "Loan" or collectively, the "Loans") to Participants for, financing or refinancing the acquiring, erecting, extending, improving, equipping or repairing of Projects, as such term is defined in the Debt Act, under Loan Agreements between the Authority and Participants to be dated the origination date of each Loan ("Loan Agreements"). In connection with each Loan, a Participant shall issue a Participant Note (which in the case of a Local Government Unit shall be a full faith and credit obligation of such Participant). A Loan to a Participant which is not a Local Government Unit shall be guaranteed by a Local Government Unit (which shall be a full faith and credit obligation of such Local Government Unit). Pursuant to the Indenture, the Authority has assigned to the Trustee, inter alia, the Participant Notes and all its right, title and interest (but not its obligations or rights to indemnification or payment of expenses) under the Loan Agreements.

As the basis for this opinion we have examined such matters of law and such documents, certifications, instruments and records as we deemed necessary to enable us to render the opinion set forth below, including the Act, applicable provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or made applicable with respect thereto (collectively, the "Code"), the Debt Act, original counterparts or certified copies of the Resolution, the Master Trust Indenture, the First Supplemental Trust Indenture, the form of Loan Agreement, the certificates and agreements (including a Tax Compliance Certificate and Agreement of the Authority relating to the Bonds intended to satisfy certain provisions of the Code) of certain Authority officials having responsibility for issuing the Bonds, opinions as to various matters delivered by the Authority general counsel and such other documents, certifications, instruments and records listed in the Index of Closing Documents in respect of the Bonds filed this date with the Trustee. We have also examined a fully executed and authenticated Bond or a true copy thereof. In rendering the opinion set forth below, we have relied upon the genuineness, authenticity, truthfulness and completeness of all certificates, records and other documents and instruments we have examined and have not undertaken to verify the factual matters set forth therein by independent investigation.

Based on the foregoing and the other qualifications and limitations set forth herein, we are of the opinion that:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth of Pennsylvania and the Act, and at all relevant times had and has full power and authority thereunder to execute and deliver the Indenture and to issue and sell the Bonds.

2. The Master Trust Indenture and the First Supplemental Trust Indenture have each been duly authorized, executed and delivered by the Authority, and the obligations of the Authority thereunder are valid, binding and enforceable in accordance with the respective terms thereof, except as enforcement may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles affecting the enforcement of creditors' rights ("Creditors' Rights Limitations").

3. The Bonds have been duly authorized, executed and issued by the Authority and are valid and binding special, limited obligations of the Authority, payable solely from the sources described in the Indenture, and enforceable in accordance with their terms, except as enforcement may be affected by Creditors' Rights Limitations, and the Bonds are entitled to the benefit and security of the Indenture to the extent provided therein.

4. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the Bonds are exempt from personal property taxes in Pennsylvania. However, under the laws of the Commonwealth as presently enacted and construed, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds, will not be includible in gross income of the holders thereof for federal income tax purposes and interest on the Bonds will not be a specific preference item for purposes of computing the alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit).

We call to your attention that the Bonds are not in any way a debt or liability of the Commonwealth, the Counties or any political subdivision of either thereof, nor do the Bonds or the Indenture pledge the general credit or taxing power of the Commonwealth, the Counties or any political subdivision of either thereof. The Authority has no taxing power.

In rendering our opinion, we have assumed compliance by the Authority with its respective covenants contained in the Indenture and in the Tax Compliance Certificate and Agreement and the Participants with their covenants in the respective Loan Agreements and Participant Tax Compliance Agreements executed in connection with the origination of Loans, that are intended to comply with the provisions of the Code relating to actions to be taken by the Authority and the Participants to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the Bonds. These covenants relate to, inter alia, the use of and investment of proceeds of the Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure of the Authority or of any Participant to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We express no opinion with respect to any matter not set forth in the numbered paragraphs herein, including any federal income tax consequences arising with respect to the Bonds other than as expressed in Paragraph 5 hereof, or as to the accuracy, completeness or sufficiency of the Preliminary Official Statement or Official Statement (or other offering material) of the Authority relating to the Bonds, and we make no representation that we have independently verified the contents of such Preliminary Official Statement or Official Statement (or other offering material).

This opinion is rendered on the basis of federal law and the laws of the Commonwealth as enacted and construed on the date hereof. This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in law which may hereafter occur.

Very truly yours,