

SUPPLEMENT TO REMARKETING CIRCULAR DATED JULY 7, 2009

relating to

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MENTAL HEALTH SERVICES FACILITIES IMPROVEMENT REVENUE BONDS**

**\$99,700,000
Subseries D-2E**

**\$50,000,000
Subseries D-2H**

This Supplement (the "Supplement"), makes certain modifications to the Remarketing Circular, dated July 7, 2009 (the "Remarketing Circular") relating to the above-referenced Bonds (the "Subseries 2003D Bonds").

1. Part 5 of the Remarketing Circular, which appears on page 26 thereof, is restated to read in its entirety as follows:

PART 5 - SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS

12 Month Period Ending Feb. 15	Debt Service Requirements for all outstanding series of Prior Authority Bonds	Debt Service Requirements for Reoffered Bonds⁽¹⁾	Debt Service Requirements for all other Outstanding Series of Bonds⁽¹⁾	Total Debt Service Requirements⁽¹⁾
2010	\$76,335,455	\$ 4,556,868	\$268,345,087	\$349,237,410
2011	53,849,959	8,056,868	277,123,170	339,029,997
2012	49,435,278	8,050,328	282,281,088	339,766,694
2013	44,080,161	8,140,744	284,473,140	336,694,045
2014	43,697,753	8,725,072	275,190,287	327,648,112
2015	43,600,795	9,288,092	265,263,434	318,116,446
2016	39,788,679	9,329,804	260,044,194	309,162,677
2017	32,612,705	11,165,428	253,727,049	297,505,182
2018	26,572,829	13,240,172	251,984,251	291,797,251
2019	25,512,166	14,144,904	223,990,618	263,647,688
2020	41,922,879	14,213,108	190,258,143	246,394,130
2021	40,523,029	14,769,136	171,885,658	227,177,822
2022	39,711,124	14,297,768	141,233,252	195,242,144
2023	31,368,556	13,229,444	133,556,258	178,154,258
2024	25,982,413	11,382,428	119,327,400	156,692,241
2025	27,392,650	9,781,072	106,103,201	143,276,923
2026	14,646,381	10,119,288	101,229,402	125,995,071
2027	9,821,194	8,539,240	93,343,818	111,704,252
2028	11,882,988	5,798,764	81,217,221	98,898,973
2029	9,353,150	4,334,388	71,610,937	85,298,475
2030	6,206,369	2,509,584	65,149,040	73,864,993
2031	5,981,450	1,236,528	57,327,468	64,545,446
2032	2,878,631		54,163,476	57,042,107
2033			51,388,796	51,388,796
2034			35,775,306	35,775,306
2035			35,782,556	35,782,556
2036			17,530,000	17,530,000
2037			17,532,500	17,532,500
2038			8,106,000	8,106,000

(1) Assumes swap rates as the interest costs for Bonds issued at a variable rate of interest, and includes ongoing expenses as part of debt service.

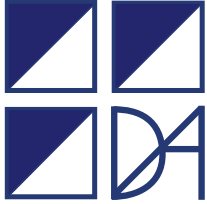
2. On page 32 of the Remarketing Circular, the table entitled “Projected Receipts Available for Prior Authority Annual Payments and Annual Payments and Annual Debt Service for the Prior Authority Bonds and the Bonds” is restated in its entirety as follows:

**Projected Receipts Available for Prior Authority
Annual Payments and Annual Payments and Annual Debt Service for
the Prior Authority Bonds and the Bonds**

Department of Mental Hygiene 5 Year Revenue Projections (Millions)					
	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
OMRDD					
Medicaid	\$2,958.53	\$2,914.03	\$2,442.33	\$2,412.63	\$2,412.63
Medicare	0.10	0.10	0.10	0.10	0.10
Other	<u>64.56</u>	<u>64.56</u>	<u>64.56</u>	<u>64.56</u>	<u>64.56</u>
Subtotal	<u>\$3,023.19</u>	<u>\$2,978.69</u>	<u>\$2,506.99</u>	<u>\$2,477.29</u>	<u>\$2,477.29</u>
OMH					
Medicaid	\$ 587.48	\$ 584.48	\$ 544.48	\$ 544.48	\$ 544.48
Medicare	62.89	62.89	62.89	62.89	62.89
Other	<u>101.15</u>	<u>101.15</u>	<u>101.15</u>	<u>101.15</u>	<u>101.15</u>
Subtotal	<u>\$ 751.52</u>	<u>\$ 748.52</u>	<u>\$ 708.52</u>	<u>\$ 708.52</u>	<u>\$ 708.52</u>
OASAS					
Other	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>
Subtotal	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>
Other Receipts	<u>\$ 2.70</u>	<u>\$ 2.70</u>	<u>\$ 2.70</u>	<u>\$ 2.70</u>	<u>\$ 2.70</u>
Gross Receipts	<u><u>\$3,791.51</u></u>	<u><u>\$3,743.91</u></u>	<u><u>\$3,232.21</u></u>	<u><u>\$3,202.51</u></u>	<u><u>\$3,202.51</u></u>
Annual Debt Service*	\$ 349.24	\$ 339.03	\$ 339.77	\$ 336.69	\$ 327.65
Debt Service Coverage*	10.86	11.04	9.51	9.51	9.77

* Includes debt service on Prior Authority Bonds and Bonds but does not include debt service on any Bonds that may be issued subsequent to the date of this Remarketing Circular although the 2009-10 Enacted Budget projects the average issuance of approximately \$600 million of Bonds annually through fiscal year 2013-14 to finance State Facilities and Voluntary Agency Facilities.

Dated: July 27, 2009



REMARKETING CIRCULAR

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
 MENTAL HEALTH SERVICES FACILITIES IMPROVEMENT
 REVENUE BONDS**
\$99,700,000
Subseries D-2E
CUSIP: 64983UKS8¹
\$50,000,000
Subseries D-2H
CUSIP: 64983UKV1¹
Date of Issuance: July 15, 2003**Date of Remarketing: July 13, 2009****Price: 100%****Due: February 15, 2031**

The Mental Health Services Facilities Improvement Revenue Bonds, Subseries 2003D-2E Bonds (the "Subseries 2003D-2E Bonds") and the Subseries 2003D-2H Bonds (the "Subseries 2003D-2H Bonds" and together with the Subseries 2003D-2E Bonds, the "Reoffered Bonds") were issued on July 15, 2003 as variable rate interest bonds in a Weekly Mode under the Second Mental Health Services Facilities Improvement Revenue Bond Resolution, adopted by the Dormitory Authority of the State of New York (the "Authority") on February 26, 2003 (the "Resolution") and the Series Resolution authorizing the Reoffered Bonds, adopted by the Authority on February 26, 2003 (the "Series 2003D-2 Resolution"). The Reoffered Bonds are subject to mandatory tender and purchase on July 13, 2009 (the "Substitution Date") in connection with the expiration and substitution of the Liquidity Facilities entered into upon initial issuance of the Reoffered Bonds (the "Initial Facilities")

Payment and Security: The Reoffered Bonds are special obligations of the Authority. Principal and Redemption Price of and interest on the Reoffered Bonds are payable solely from and secured by a pledge of (i) certain payments to be made to the Authority pursuant to the Financing Agreements (defined herein), which payments are subject to appropriation by the New York State Legislature and which pledge is junior and subordinate to the prior pledge made to secure the mental health services facilities improvement revenue bonds heretofore issued by the Authority under the Prior Authority Resolution (as herein defined), and (ii) all funds and accounts (except the Arbitrage Rebate Fund) established under the Resolution and the Series 2003D-2 Resolution. The Reoffered Bonds are secured on a parity with all bonds (collectively the "Bonds") issued under the Resolution.

In addition, payment of the principal of, interest on the Reoffered Bonds and the purchase price of the Reoffered Bonds tendered and not remarketed, will be payable from funds advanced under an irrevocable transferable letter of credit for each Subseries of the Reoffered Bonds (each a "Letter of Credit" and collectively, the "Letters of Credit") issued by Royal Bank of Canada (the "Bank").

RBC Royal Bank[®]

See "PART 4 - THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS" herein. Each Letter of Credit will permit the Trustee to make drawings thereunder in an amount not exceeding (i) the outstanding principal amount of the applicable Subseries of Reoffered Bonds secured thereby and (ii) 46 days' interest on such Subseries of Reoffered Bonds at the Maximum Rate defined herein. Each Letter of Credit will expire on July 12, 2010, subject to extension or earlier termination as described herein. Each Letter of Credit only supports the related Subseries of the Reoffered Bonds.

The Bonds are not a debt of the State of New York (the "State") and the State is not liable on such Bonds. Neither the Authority nor the Department of Mental Hygiene has any taxing power. Under applicable State law, the State shall not be liable for the Annual Payments (defined herein) payable to the Authority pursuant to the terms of the Financing Agreements. Additionally, the State is under no legal or moral obligation to provide moneys to make up any deficiency in any funds or accounts established under the Resolution.

Description: The Reoffered Bonds were issued under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Reoffered Bonds will be made in book-entry form without certificates. So long as DTC or its nominee is the registered owner of the Reoffered Bonds, payments of the principal and Redemption Price of and interest on such Reoffered Bonds will be made by Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent, directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE REOFFERED BONDS - Book-Entry Only System."

Each Subseries of the Reoffered Bonds will bear interest from July 13, 2009 to and including the following Wednesday at a rate per annum determined by RBC Capital Markets Corporation (the "Remarketing Agent"). Thereafter, unless the mode of determining interest on the Reoffered Bonds is converted to an alternate interest rate mode upon the terms and conditions described herein, the Reoffered Bonds will bear interest at the Weekly Rates determined separately for each Subseries by the Remarketing Agent on Wednesday of each calendar week (or if such Wednesday is not a Business Day, the Business Day immediately preceding such Wednesday), and remain in effect for the period beginning on Thursday of such week and ending on and including the following Wednesday. While bearing interest at Weekly Rates, interest on the Reoffered Bonds is payable on the first Business Day of each calendar month. **This Remarketing Circular, in general, describes the Reoffered Bonds only during the Weekly Mode.**

Redemption and Tender: The Reoffered Bonds are subject to optional and mandatory redemption prior to maturity and optional and mandatory tender for purchase as more fully described herein. See "PART 3 - THE REOFFERED BONDS."

Tax Exemption: On July 15, 2003 Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, rendered its opinion in connection with the original issuance of the Reoffered Bonds that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Reoffered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Reoffered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, to be rendered on the Substitution Date, the substitution of the Initial Facilities for the Reoffered Bonds with the Letters of Credit, in and of itself, will not impair the exclusion of interest on the Reoffered Bonds from gross income for Federal income tax purposes, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code. See "PART 10 - TAX EXEMPTION" herein.

In connection with the substitution of the Initial Facilities and the remarketing of the Reoffered Bonds, certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Remarketing Agent by its Co-Counsel, Marous & Marous, P.C., New York, New York and Trespasz & Marquardt, LLP, Syracuse, New York. Certain legal matters will be passed upon for the Bank by its Counsel, Chapman and Cutler LLP, Chicago, Illinois and Ogilvy Renault LLP, Toronto, Ontario. The Authority expects to deliver the Reoffered Bonds in definitive form in New York, New York upon the substitution of the Initial Facilities and remarketing of the Reoffered Bonds on July 13, 2009.

RBC Capital Markets[®]**Remarketing Agent**

July 7, 2009

¹ CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Reoffered Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Reoffered Bonds or as indicated above. The CUSIP numbers are subject to being changed after the issuance of the Reoffered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Reoffered Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

No dealer, broker, salesperson or other person has been authorized by the Authority, the State, the Department of Mental Hygiene (the "Department") or the Remarketing Agent to give any information or to make any representations with respect to the Reoffered Bonds, other than the information and the representations contained in this Remarketing Circular. If given or made, any such other information or representations must not be relied upon as having been authorized by the Authority, the State, the Department or the Remarketing Agent.

This Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Reoffered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information in this Remarketing Circular has been furnished by the Authority and by certain other sources referred to below. The Remarketing Agent does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation by the Remarketing Agent.

Certain information in this Remarketing Circular has been supplied by the Department, the State of New York Division of the Budget, DTC, the Bank and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority.

References in this Remarketing Circular to the Act, the Resolutions, the Financing Agreements and the Pledge and Assignment (each as defined herein) do not purport to be complete. Refer to the Act, the Resolutions, the Financing Agreements and the Pledge and Assignment for full and complete details of their provisions. Copies of the Resolutions, the Financing Agreements and the Pledge and Assignment are on file with the Authority and the Trustee.

The order and placement of material in this Remarketing Circular, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Remarketing Circular, including its appendices, must be considered in its entirety.

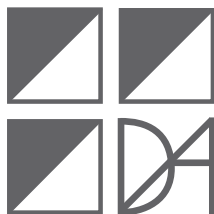
Under no circumstances shall the delivery of this Remarketing Circular or any sale made after its delivery create any implication that the affairs of the Authority, the Department or the State have remained unchanged after the date of this Remarketing Circular.

IN CONNECTION WITH THE OFFERING OF THE REOFFERED BONDS, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE REOFFERED BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

<p>PART 1 – INTRODUCTION 1</p> <p style="padding-left: 20px;">Purpose of the Remarketing Circular 1</p> <p style="padding-left: 20px;">Purpose of the Issue; Plan of Finance 1</p> <p style="padding-left: 20px;">Authorization of Issuance; Amendments..... 2</p> <p style="padding-left: 20px;">The Authority 2</p> <p style="padding-left: 20px;">The Department of Mental Hygiene 3</p> <p style="padding-left: 20px;">The Reoffered Bonds 3</p> <p style="padding-left: 20px;">Payment and Security..... 4</p> <p style="padding-left: 20px;">Facilities Financed 5</p> <p>PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS 6</p> <p style="padding-left: 20px;">Payment of and Security for the Bonds 6</p> <p style="padding-left: 20px;">Summary of Statutory Flow of Funds 10</p> <p style="padding-left: 20px;">Outstanding Indebtedness 11</p> <p>PART 3 - THE REOFFERED BONDS 11</p> <p style="padding-left: 20px;">General 11</p> <p style="padding-left: 20px;">Weekly Rate Bonds..... 11</p> <p style="padding-left: 20px;">Mode Conversions 12</p> <p style="padding-left: 20px;">Optional and Mandatory Tender and Purchase 13</p> <p style="padding-left: 20px;">Special Considerations Relating to the Remarketing of the Reoffered Bonds 16</p> <p style="padding-left: 20px;">Redemption Provisions 18</p> <p style="padding-left: 20px;">Book-Entry Only System..... 19</p> <p>PART 4 – THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS 22</p> <p>PART 5 - SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS 26</p> <p>PART 6 - THE DEPARTMENT 26</p> <p style="padding-left: 20px;">Department of Mental Hygiene 26</p> <p style="padding-left: 20px;">Office of Mental Health 27</p> <p style="padding-left: 20px;">Office of Mental Retardation and Developmental Disabilities 27</p> <p style="padding-left: 20px;">Office of Alcoholism and Substance Abuse Services 28</p> <p style="padding-left: 20px;">Department Facilities 28</p> <p style="padding-left: 20px;">Population 29</p> <p style="padding-left: 20px;">Income Available for Prior Authority Annual Payments and Annual Payments 31</p> <p style="padding-left: 20px;">Factors Affecting Revenue Projections 32</p>	<p style="padding-left: 20px;">Disposition of Facilities 33</p> <p style="padding-left: 20px;">State Appropriations 33</p> <p style="padding-left: 20px;">Litigation Affecting the Department 34</p> <p>PART 7 - THE AUTHORITY 35</p> <p style="padding-left: 20px;">Background, Purposes and Powers..... 35</p> <p style="padding-left: 20px;">Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority) 36</p> <p style="padding-left: 20px;">Outstanding Indebtedness of the Agency Assumed by the Authority 37</p> <p style="padding-left: 20px;">Governance 37</p> <p style="padding-left: 20px;">Claims and Litigation 41</p> <p style="padding-left: 20px;">Other Matters 42</p> <p>PART 8 - LEGALITY OF THE REOFFERED BONDS FOR INVESTMENT AND DEPOSIT 42</p> <p>PART 9 - NEGOTIABLE INSTRUMENTS 42</p> <p>PART 10 - TAX EXEMPTION 42</p> <p style="padding-left: 20px;">Opinion of Bond Counsel 42</p> <p style="padding-left: 20px;">Certain Ongoing Federal Tax Requirements and Covenants 43</p> <p style="padding-left: 20px;">Certain Collateral Federal Tax Consequences 43</p> <p style="padding-left: 20px;">Information Reporting and Backup Withholding..... 44</p> <p style="padding-left: 20px;">Miscellaneous 44</p> <p>PART 11 - STATE NOT LIABLE ON THE REOFFERED BONDS..... 44</p> <p>PART 12 - COVENANT BY THE STATE 44</p> <p>PART 13 - LEGAL MATTERS 45</p> <p>PART 14 – RATINGS 45</p> <p>PART 15 - REMARKETING 45</p> <p>PART 16 - CONTINUING DISCLOSURE 46</p> <p>PART 17 - MISCELLANEOUS 47</p> <p style="padding-left: 20px;">Appendix A - Certain Definitions A-1</p> <p style="padding-left: 20px;">Appendix B - Information Concerning the State of New York.. B-1</p> <p style="padding-left: 20px;">Appendix C - Summary of Certain Provisions of the Financing Agreements C-1</p> <p style="padding-left: 20px;">Appendix D - Summary of Certain Provisions of the Resolutions D-1</p> <p style="padding-left: 20px;">Appendix E – Opinions of Bond Counsel E-1</p> <p style="padding-left: 20px;">Appendix F – Information Concerning the Bank F-1</p>
---	---

[THIS PAGE INTENTIONALLY LEFT BLANK]



DORMITORY AUTHORITY - STATE OF NEW YORK
PAUL T. WILLIAMS, JR. - EXECUTIVE DIRECTOR

515 BROADWAY, ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR., ESQ. - CHAIR

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MENTAL HEALTH SERVICES FACILITIES IMPROVEMENT
REVENUE BONDS

\$99,700,000
Subseries D-2E

\$50,000,000
Subseries D-2H

PART 1 – INTRODUCTION

Purpose of the Remarketing Circular

The purpose of this Remarketing Circular, including the cover page, the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (the “Authority”), the State of New York (the “State”), the Department of Mental Hygiene (the “Department”) and Royal Bank of Canada (the “Bank”) in connection with the remarketing of the Authority’s \$99,700,000 Mental Health Services Facilities Improvement Revenue Bonds, Subseries D-2E (the “Subseries D-2E Bonds”) and \$50,000,000 Mental Health Services Facilities Improvement Revenue Bonds, Subseries D-2H (the “Subseries 2003D-2H Bonds” and, together with the Subseries 2003D-2E Bonds, the “Reoffered Bonds”). The Reoffered Bonds and any other bonds issued pursuant to the Resolution (hereinafter defined) are collectively referred to in this Remarketing Circular as the “Bonds.”

The following is a brief description of certain information concerning the Reoffered Bonds, the Authority, the Department, the payment of and security for the Bonds, and the State Facilities (hereinafter defined) and the Voluntary Agency Facilities (hereinafter defined). A more complete description of such information and additional information that may affect decisions to invest in the Reoffered Bonds is contained throughout this Remarketing Circular, which should be read in its entirety. Certain terms used in this Remarketing Circular are defined in Appendix A hereto.

Purpose of the Issue; Plan of Finance

The Reoffered Bonds were originally issued on July 15, 2003 as two of nine Subseries of the Authority’s Mental Health Services Facilities Improvement Revenue Bonds, Series 2003D-2 issued in the aggregate principal amount of \$818,800,000 (the “Series 2003D-2 Bonds”). The Series 2003D-2 Bonds were issued, together with the other series of Bonds, to refund certain bonds previously issued by the New York State Medical Care Facilities Finance Agency (referred to as “Prior Agency Bonds”) and certain Prior Authority Bonds (as hereinafter defined) previously issued by the Authority, in each case issued to finance or refinance the costs of mental health services facilities for use by the Department.

Authorization of Issuance; Amendments

The Second Mental Health Services Facilities Improvement Revenue Bond Resolution, adopted by the Authority on February 26, 2003 (the "Resolution"), authorizes the issuance of multiple series of Bonds (each a "Series") pursuant to separate series resolutions (each a "Series Resolution"). The aggregate principal amount of Bonds which may be issued under the Resolution is unlimited except as provided in the Resolution and by law.

The Reoffered Bonds were issued pursuant to the Act (as defined in Appendix A hereto), the Resolution, a Series Resolution adopted by the Authority on February 26, 2003, as amended and restated on May 28, 2008 (the "Series 2003D-2 Resolution") and a Bond Series Certificate fixing the terms and details of the Series 2003D-2 Bonds, as amended (the "Series 2003D-2 Certificate"). On June 24, 2009, the Authority adopted a supplemental resolution authorizing the further amendment and restatement of the Series 2003D-2 Resolution. The Series 2003D-2 Resolution, as amended and restated with the consent of Deutsche Bank Trust Company Americas, as Trustee (the "Trustee") in accordance with the Resolution, authorizes amendments to the Series 2003D-2 Certificate as may be necessary in connection with the substitution of the Credit Facilities and/or Liquidity Facilities in effect for the Series 2003D-2 Bonds as permitted under the terms of the original Series 2003D-2 Certificate. The Authority will execute an amendment to the Series 2003D-2 Certificate relating to the Reoffered Bonds on July 13, 2009, to accommodate changes required in connection with the substitution on July 13, 2009 of the initial Liquidity Facility in effect for each Subseries of the Reoffered Bonds with an irrevocable transferable letter of credit to be issued for each such Subseries by the Bank (collectively, the "Letters of Credit"). See "The Reoffered Bonds" below.

The Series 2003D-2 Certificate provides that whenever the consent of the Owners of an affected Subseries of Series 2003D-2 Bonds may be required by the Resolution to effect amendments to the Series 2003D-2 Certificate, such amendments will be deemed to have been consented by the Owners of such affected Subseries of Series 2003D-2 Bonds if, in connection with the reoffering of such Subseries upon the mandatory tender and payment in full of the purchase price thereof and delivery to the Trustee of a Favorable Opinion of Bond Counsel (as defined in Appendix A), the Remarketing Agent (as the purchaser and initial holder of the Reoffered Bonds) consents to such amendments. RBC Capital Markets Corporation, as remarketing agent (the "Remarketing Agent") and the purchaser and initial holder of the Reoffered Bonds upon the tender and reoffering thereof on July 13, 2009, has agreed to give its consent to the Second Amendment to the Series 2003D-2 Certificate relating to the Reoffered Bonds (the "Second Amendment") simultaneously with such reoffering.

This Reoffering Circular describes the terms of the Reoffered Bonds as provided for in the Series 2003D-2 Resolution, as amended and restated to the date hereof, and the Series 2003D-2 Certificate, as amended by the Second Amendment, and all references herein to the Series 2003D-2 Resolution or the Series 2003D-2 Certificate are to such documents as amended. By purchasing the Reoffered Bonds, a purchaser will be deemed to have consented to the amendments to the Series 2003D-2 Certificate as described herein. The Resolution, the Series 2003D-2 Resolution as amended and restated and the Series 2003D-2 Certificate as amended are collectively referred to herein as the "Resolutions."

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions and to purchase and make certain loans in connection with its student loan program. See "PART 7 - THE AUTHORITY."

On September 1, 1995, the Authority, through State legislation, succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the "Agency") and the New York State Facilities Development Corporation (the "Corporation"), each of which continues its corporate existence in and through the Authority. Under such legislation, the Authority also acquired by operation of law all assets and property, and assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, notes or other obligations.

The financing or refinancing of mental health services facilities for use by the Department or by Voluntary Agencies on and after the date of the consolidation has been undertaken by the Authority through the issuance of its mental health services facilities improvement revenue bonds under a general resolution adopted by the Authority on January 31, 1996 (the "Prior Authority Resolution") and under the Resolution. As of March 31, 2009,

approximately \$529 million of bonds issued under the Prior Authority Resolution (the “Prior Authority Bonds”) were outstanding and approximately \$3.1 billion of Bonds were outstanding under the Resolution. The Authority has covenanted in the Resolution that no additional bonds will be issued under the Prior Authority Resolution, and the continued financing or refinancing of mental health services facilities for use by the Department or the Voluntary Agencies is to be undertaken through the issuance of Bonds under the Resolution.

The Department of Mental Hygiene

The Department was established on January 1, 1927, replacing and consolidating the functions of the State Hospital Commission and the State Commission for Mental Defectives. Pursuant to legislation effective in 1978, as amended in 1992, the Department is organized into three autonomous offices:

1. The Office of Mental Health (“OMH”);
2. The Office of Mental Retardation and Developmental Disabilities (“OMRDD”); and
3. The Office of Alcoholism and Substance Abuse Services (“OASAS”).

These three units function independently within the Department with complete responsibilities for the planning and administration of their respective programs. Each office is headed by a commissioner appointed by the Governor with the advice and consent of the Senate. See “PART 6 - THE DEPARTMENT.”

The Reoffered Bonds

The Reoffered Bonds were issued on July 15, 2003 as variable interest rate bonds in the Weekly Rate Mode (sometimes referred to herein as the “Weekly Rate Bonds”).

Concurrently with the issuance of the Reoffered Bonds, the Authority entered into a standby bond purchase agreement with respect to the Subseries 2003D-2E Bonds with BNP Paribas, acting through its New York Branch, and a standby bond purchase agreement with respect to the Subseries 2003D-2H Bonds with HSBC Bank USA, N.A., as successor to HSBC Bank USA (collectively, the “Initial Facilities”), in each case securing the payment of the purchase price for the applicable Reoffered Bonds tendered for purchase to the extent proceeds of the remarketing of such Bonds were insufficient for such purpose. On July 13, 2009 (the “Substitution Date”), the Reoffered Bonds will be subject to mandatory tender for purchase by the Holders thereof in connection with the expiration of the Initial Facilities and substitution thereof with the Letters of Credit. From and after the Substitution Date, the Initial Facilities will be of no further force and effect.

Each Letter of Credit will be issued pursuant to the terms of a Reimbursement Agreement, dated July 13, 2009, between the Authority and the Bank (each a “Reimbursement Agreement and collectively, the “Reimbursement Agreements”). The Letters of Credit will be issued in an amount equal to the principal amount of the related Subseries of Reoffered Bonds, together with 46 days’ interest thereon computed at the maximum rate of twelve percent (12%) per annum. The Bank will also advance funds under the applicable Letter of Credit to pay the Purchase Price of the related Subseries of the Reoffered Bonds tendered for purchase in accordance with the Resolutions to the extent remarketing proceeds are insufficient for such purpose. See “PART 4 – THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENT.”

Each Letter of Credit will expire one year following the Substitution Date unless extended or earlier terminated in accordance with its respective terms. Each Letter of Credit shall constitute a “Credit Facility,” a “Liquidity Facility” and a “Direct-Pay Credit Facility” and the Bank shall constitute a “Credit Facility Provider” and a “Liquidity Facility Provider” under the Resolutions and for so long as the Letters of Credit are in full force and effect, all references in this Remarketing Circular to the Credit Facility, the Liquidity Facility or the Direct-Pay Credit Facility shall mean the Letter of Credit and references to the Credit Facility Provider or the Liquidity Facility Provider shall mean the Bank.

The Reoffered Bonds will bear interest from July 13, 2009 to and including the following Wednesday at a rate per annum determined by the RBC Capital Markets Corporation, as remarketing agent (the “Remarketing Agent”). Thereafter, the Reoffered Bonds will bear interest at the Weekly Rates, to be determined by the Remarketing Agent from time to time in accordance with the Resolutions, unless the method of determining interest

on the Reoffered Bonds is converted to an alternate mode of determining interest thereon or converted to a rate fixed to maturity, in each case upon the terms and conditions described herein. See "PART 3 - THE REOFFERED BONDS." The Reoffered Bonds are subject to a maximum interest rate of twelve percent (12%) per annum, subject to adjustment in accordance with the Resolutions (the "Maximum Rate").

The Reoffered Bonds are subject to optional and mandatory tender for purchase and optional and mandatory redemption as described herein under "PART 3 - THE REOFFERED BONDS."

This Remarketing Circular, in general, describes the Reoffered Bonds only during the Weekly Mode.

Payment and Security

The Bonds are special obligations of the Authority payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established under the Resolution in the manner provided in the Resolution. The Revenues consist of (i) the Net Annual Payments received or receivable by the Authority pursuant to the hereinafter defined Financing Agreements (except payments for deposit in the Arbitrage Rebate Fund), and (ii) all earnings on the investment of amounts held in the funds and accounts under the Resolution except the Arbitrage Rebate Fund. Net Annual Payments are Annual Payments (as hereinafter defined) net of the Annual Expenditures (as defined in Appendix A hereto) of the Authority. Pursuant to the Resolution, the Revenues have been pledged to the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS."

The Bonds are secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Bonds (until disbursed as provided by the Resolution), and all funds and accounts established by the Resolution and each Series Resolution (with the exception of the Arbitrage Rebate Fund). The pledge of the Net Annual Payments component of the Revenues is junior and subordinate to the pledge of the Prior Authority Annual Payments (as hereinafter defined) made by the Authority to secure the payment of the Prior Authority Bonds. The Authority has covenanted in the Resolution that no additional bonds will be issued under the Prior Authority Resolution.

The Authority and the Department have previously entered into two financing agreements each dated January 31, 1996, as amended and supplemented (the "Prior Financing Agreements"), for the financing and refinancing of mental health services facilities for use by the Department or Voluntary Agencies. The Prior Financing Agreements provided for the payment of annual payments (the "Prior Authority Annual Payments") to the Authority.

The Authority and the Department have entered into the Financing Agreement (State Project), dated as of February 26, 2003, (the "Financing Agreement (State Project)"), which provides for, among other things, the financing and refinancing by the Authority of mental health services facilities for use by the Department (the "State Facilities") and for the payment of annual payments to the Authority (the "Annual Payments"). All State Facilities financed and refinanced pursuant to the Financing Agreement (State Project) will collectively constitute the "State Project."

The Authority and the Department also have entered into the Financing Agreement (Voluntary Agency Project), dated as of February 26, 2003 (the "Financing Agreement (Voluntary Agency Project)"), which provides for, among other things, the financing and refinancing by the Authority of mental health services facilities for use by the Voluntary Agencies (the "Voluntary Agency Facilities") and for the payment of annual payments to the Authority (also "Annual Payments"). All Voluntary Agency Facilities financed and refinanced pursuant to the Financing Agreement (Voluntary Agency Project) will collectively constitute the "Voluntary Agency Project."

The Authority and the Department may in the future enter into agreements for the financing or refinancing of Other Projects and other mental health services facilities constituting such Projects for use by the Department, Voluntary Agencies or other persons and, if so, will also enter from time to time into Other Financing Agreements. These agreements will provide for the payment of annual payments (also "Annual Payments") on a parity with the Annual Payments to be paid to the Authority pursuant to the Financing Agreement (State Project) and the Financing Agreement (Voluntary Agency Project).

Pursuant to the Financing Agreement (State Project) and the Financing Agreement (Voluntary Agency Project), the Authority is to receive the Annual Payments, which right to receive Annual Payments is junior and subordinate to the right to receive the Prior Authority Annual Payments. The obligation to make such Annual

Payments shall be deemed executory only to the extent of moneys made available by the New York State Legislature (the "State Legislature"), and no monetary liability on account thereof shall be incurred beyond the moneys legally made available for the purposes thereof by the State Legislature. Further, the availability of moneys to make the Prior Authority Annual Payments and the Annual Payments is subject to and dependent upon appropriations being made annually by the State Legislature for such purposes. Subject to the foregoing, Annual Payments and Prior Authority Annual Payments are to be made to the Authority on February 10 and August 10 of each year with respect to payments required to be made on a semiannual basis and on such other dates as specified in the Financing Agreements or other agreements with respect to payments required to be made other than on a semiannual basis. The schedule of Annual Payments to be paid to the Authority under the Financing Agreement (State Project) and the Financing Agreement (Voluntary Agency Project) is set forth in "Appendix C – Summary of Certain Provisions of the Financing Agreements."

The Resolution authorizes the issuance by the Authority, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution. All Bonds are equally and proportionally secured by the foregoing.

The Bonds, including the Reoffered Bonds, are not a debt of the State nor is the State liable thereon. The Authority has no taxing power.

See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS - Payment of and Security for the Bonds."

Payment of the principal of and interest on, and the Purchase Price of, the Reoffered Bonds are additionally secured by the related Letter of Credit. See "PART 4 – THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS" herein. Under the terms of the Series 2003D-2 Certificate, at all times while the Reoffered Bonds bear interest at a Daily, Weekly, Flexible or Term Rate, the Authority is required to obtain and maintain a Liquidity Facility providing for payment of the Purchase Price of the Reoffered Bonds tendered for purchase in the event remarketing proceeds are insufficient for such purpose. Each Letter of Credit constitutes a Liquidity Facility (as well as a Credit Facility and a Direct-Pay Credit Facility) for purposes of the Series 2003D-2 Certificate. None of the Resolution, the Series 2003D-2 Resolution or the Series 2003D-2 Certificate requires the Authority to maintain credit support for the Reoffered Bonds. Upon the expiration (if not extended) or earlier termination of the Letters of Credit, the Authority will be required to obtain a Liquidity Facility (referred to as an "Alternate Liquidity Facility") for each Subseries of the Reoffered Bonds, and may, at its option, provide for credit support for the Reoffered Bonds (referred to as an "Alternate Credit Facility"). Upon the expiration, termination or substitution of a Liquidity Facility or Credit Facility in effect for the Reoffered Bonds, including the Letters of Credit, the Reoffered Bonds will be subject to mandatory tender for purchase as described herein under the heading "PART 3 – THE REOFFERED BONDS – Optional and Mandatory Tender and Purchase – *Mandatory Tender and Purchase*."

Facilities Financed

As part of an overall plan of refunding, the Series 2003D-2 Bonds, including the Reoffered Bonds, were issued to provide funds, together with other available funds, to refund certain Prior Agency Bonds previously issued by the Agency and certain Prior Authority Bonds previously issued by the Authority to finance mental health services facilities for use by the Department. Through such refunding, the mental health services facilities previously financed with proceeds of such Prior Agency Bonds and Prior Authority Bonds were refinanced and became State Facilities constituting a part of the State Project of use by the Department. Supplemental Financing Agreement No. 2-2 (State Project) identifies the mental health services facilities refinanced with the proceeds of the Series 2003D-2 Bonds and which became State Facilities.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for all Bonds issued under the Resolution and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolutions, the Financing Agreements and the Pledge and Assignment, copies of which are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Financing Agreements" and "Appendix D - Summary of Certain Provisions of the Resolutions" for a more complete statement of the rights, duties and obligations of the parties thereto.

In addition to the sources of payment and security set forth below for all Bonds, the payment of the principal of, interest on the Reoffered Bonds, and, to the extent remarketing proceeds are insufficient for such purpose, the purchase price of the Reoffered Bonds, are payable under and secured by the respective Letters of Credit. See "PART 4 – THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS."

Payment of and Security for the Bonds

The Bonds are special obligations of the Authority payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund) established under the Resolution. The Revenues consist of (i) the Net Annual Payments received or receivable by the Authority (except payments for deposit in the Arbitrage Rebate Fund), and (ii) all earnings on the investment of amounts held in the funds and accounts under the Resolution except the Arbitrage Rebate Fund. Net Annual Payments are Annual Payments net of the Annual Expenditures of the Authority. All Bonds, notwithstanding the Series under which issued or their date or dates of issuance, are secured equally and ratably by the foregoing except as otherwise provided in or permitted by the Resolution. No debt service reserve fund has been established under the Resolution.

The Bonds are secured by the pledge and assignment of the Revenues, the proceeds from the sale of the Bonds (until disbursed as provided in the Resolution) and all funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund). The pledge of the Net Annual Payments component of the Revenues is junior and subordinate to the pledge of the Prior Authority Annual Payments made by the Authority to secure the payment of the Prior Authority Bonds. The Authority has covenanted in the Resolution that no additional bonds will be issued under the Prior Authority Resolution.

The Authority may at its option issue bonds or other obligations under and pursuant to other resolutions which are secured and payable on a parity with the Annual Payments. The availability of moneys to make the Prior Authority Annual Payments and the Annual Payments is subject to and dependent upon appropriations being made annually by the State Legislature for such purposes. Chapter 52 of the Laws of 2009 provides a single appropriation of moneys sufficient to make the Prior Authority Annual Payments and the Annual Payments due in 2009-10 fiscal year.

The Bonds are not a debt of the State and the State is not liable on such Bonds. Neither the Authority nor the Department has any taxing power. Under applicable State law, the State shall not be liable for the Annual Payments payable to the Authority pursuant to the terms of the Financing Agreements. Additionally, the State is under no legal or moral obligation to provide moneys to make up any deficiency in any funds or accounts established under the Resolution.

As described above, the Authority and the Department have entered into the Financing Agreement (State Project) to provide for the financing and refinancing by the Authority of State Facilities constituting the State Project for use directly by the Department and for the payment of Annual Payments to the Authority. The availability of moneys to make the Annual Payments is subject to and dependent upon appropriations being made annually by the State Legislature for such purposes. The Authority and the Department entered into Supplemental Financing Agreement No. 2-2 (State Project) in connection with the issuance of the Series 2003D-2 Bonds to provide for the refinancing of the State Facilities to be financed from the proceeds of the Series 2003D-2 Bonds, including the Reoffered Bonds, and to set forth the financing terms.

The Authority has entered into other Supplemental Financing Agreements (State Projects) in connection with the issuance of other Series of Bonds and it is anticipated that, from time to time, the Authority and the Department will enter into additional Supplemental Financing Agreements (State Project) to provide for the

financing or refinancing of other State Facilities to be financed or refinanced from the proceeds of other Series of Bonds and to set forth the financing terms.

Also as described above, the Authority and the Department have entered into the Financing Agreement (Voluntary Agency Project) to provide for the financing and refinancing of Voluntary Agency Facilities constituting the Voluntary Agency Project for use by Voluntary Agencies and for the payment of Annual Payments to the Authority. The availability of moneys to make these Annual Payments also is subject to and dependent upon appropriations being made annually by the State Legislature for such purposes.

The Authority has entered into Supplemental Financing Agreements (Voluntary Agency Project) and it is also anticipated that, from time to time, the Authority and the Department will enter into additional Supplemental Financing Agreements (Voluntary Agency Project) to provide for the financing or refinancing of Voluntary Agency Facilities to be financed or refinanced from the proceeds of other Series of Bonds and to set forth the financing terms. The Financing Agreement (State Project), the Financing Agreement (Voluntary Agency Project) and all Supplemental Financing Agreements are collectively called the "Financing Agreement" or the "Financing Agreements." The Annual Payments payable thereunder are collectively called the "Annual Payments."

While the Authority and the Department have not entered into any agreement for the financing or refinancing of Other Projects and other mental health services facilities comprising such Projects for use by the Department, Voluntary Agencies or other persons, the Authority and the Department may do so in the future and, if so, will also enter from time to time into Other Financing Agreements. These agreements will provide for the payment of annual payments (also "Annual Payments") to the Authority on a parity with the Annual Payments to be paid to the Authority pursuant to the Financing Agreement (State Project) and the Financing Agreement (Voluntary Agency Project).

Subject to legislative appropriation, the Annual Payments payable to the Authority and pledged by the Authority to secure the Bonds are expected to be derived from mental hygiene patient care income and from loan repayments to the Authority with respect to Voluntary Agency Facilities ("Voluntary Agency Payments"), both of which are deposited in the Mental Health Services Fund (the "Services Fund") in the manner described below. The Prior Authority Annual Payments payable and pledged to secure the Prior Authority Bonds are expected to be derived from mental hygiene patient care income and from loan repayments to the Authority with respect to mental health services facilities owned, used, or leased by voluntary agencies previously financed with proceeds of the Prior Authority Bonds (also "Voluntary Agency Payments") which also are deposited in the Services Fund. Subject to the foregoing, Annual Payments and Prior Authority Payments are to be made to the Authority on February 10 and August 10 of each year with respect to payments required to be made on a semiannual basis and on such other dates as specified in the Financing Agreements or other agreements with respect to payments required to be made other than on a semiannual basis. The Services Fund is held in the joint custody of the Comptroller of the State of New York (the "Comptroller") and the Commissioner of Taxation and Finance of the State of New York (the "Commissioner of Taxation and Finance"). Subject to (i) the withdrawals of amounts in excess of amounts required to be maintained in order to make the next installment of the Prior Authority Annual Payments due with respect to the Prior Authority Bonds and the next installment of the Annual Payments due with respect to the Bonds, and (ii) the prior pledge made in respect of the payment of the Prior Authority Bonds, the Services Fund is pledged pursuant to the Pledge and Assignment (as described below) to the Authority as security for amounts due under the Financing Agreements.

Mental hygiene patient care income includes Medicare, private insurance, third party beneficiary payments and State appropriation of Federal Medicaid funds and the local share of the State's Medicaid plan for alcoholism services, and represents reimbursement for the cost of the care, maintenance and treatment of individuals in the State mental hygiene facilities. For information concerning such State mental hygiene facilities, including their population and the income available for the Prior Authority Annual Payments and Annual Payments, see "PART 6 - THE DEPARTMENT." Mental hygiene patient care income from Medicare, private insurance and third party beneficiary payments is received by the appropriate Office of the Department and is paid to the Authority and deposited in the Mental Hygiene Facilities Improvement Fund Income Account held by the Commissioner of Taxation and Finance, as agent of the Authority. Mental hygiene patient care income from Federal Medicaid funds and Medicaid income from local governments for the care of consumers in Alcohol Treatment Centers is received by the State Department of Health and is then transferred to the appropriate Office of the Department, but such transfer is subject to annual appropriation by the State Legislature. Such mental hygiene patient care income from Federal Medicaid funds and Medicaid income from local governments is then paid to the Authority and deposited in

the Mental Hygiene Facilities Improvement Fund Income Account. In addition, Voluntary Agency Payments are deposited by the Authority into the Mental Hygiene Facilities Improvement Fund Income Account.

All amounts deposited in the Mental Hygiene Facilities Improvement Fund Income Account are required to be transferred to the Services Fund pursuant to State law. All moneys deposited in the Services Fund are subject to appropriation by the State Legislature for the payment of the Prior Authority Annual Payments with respect to the Prior Authority Bonds and the Annual Payments due with respect to the Bonds and, to the extent the amounts received in the Services Fund exceed the retainage requirement described below, for financing a portion of the operating costs of the Department.

Of the amounts received in the Services Fund, the Comptroller is required to retain in the Services Fund 20% of the amount of the next payment coming due with respect to payments required to be made semiannually, pursuant to the terms of (i) the agreements entered into by the Authority prior to February 26, 2003 and (ii) any agreements entered into by the Authority on or after February 26, 2003, for the financing or refinancing of mental health services facilities for use by the Department or a Voluntary Agency, multiplied by the number of months from the date of the last such payment. With respect to payments required to be made other than semiannually, the Comptroller also is required to retain in the Services Fund in each month until paid to the Authority, the amounts as are specified in the Financing Agreements or other agreements. See “Appendix C – Summary of Certain Provisions of the Financing Agreements.”^{*} Any amounts on deposit in the Services Fund in excess of the amounts required to be so retained are to be paid over for deposit in the Mental Hygiene Patient Income Account and, subject to appropriation, are to be used to fund a portion of the operating costs of the Department.

To secure the payment, subject to legislative appropriation, of any moneys due in any year under the Financing Agreements, the Comptroller and the Commissioner of Taxation and Finance have pledged and assigned to the Authority any and all moneys which may be received by the Commissioner of Taxation and Finance and the Comptroller and credited to the Services Fund and any right, title and interest of the Commissioner of Taxation and Finance and the Comptroller in and to moneys in or to be deposited in the Services Fund, subject to the above-described provisions regarding payment to the Mental Hygiene Patient Income Account, pursuant to a Pledge and Assignment, dated as of February 26, 2003 (the “Pledge and Assignment”), by and among the Commissioner of Taxation and Finance, the Comptroller and the Authority. The pledge made in the Pledge and Assignment is subject to and is junior and subordinate to a similar pledge made in respect of the Prior Authority Bonds.

Pursuant to the Financing Agreements, the Annual Payments shall be paid to the Authority; provided, however, the obligation to make such Annual Payments shall not constitute a debt of the State of New York within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of moneys made available by the State Legislature, and no monetary liability on account thereof shall be incurred beyond the moneys legally made available for the purposes thereof by the State Legislature; and provided, further, that the availability of moneys to make the Annual Payments is subject to and dependent upon appropriations being made annually by the State Legislature for such purposes. The Pledge and Assignment provides that, subject to appropriation by the State Legislature and the prior payment with respect to the Prior Authority Annual Payments, the Commissioner of Taxation and Finance and the Comptroller shall during the term of the Financing Agreements pay to the Authority the installments of the Annual Payments due to the Authority under the Financing Agreements, solely from moneys credited to or to be credited to the Services Fund. The Pledge and Assignment shall be deemed

^{*} Recent State legislation has authorized mental health services facilities to be financed through the issuance by the Authority of State Personal Income Tax Revenue Bonds (“PIT Bonds”) through March 31, 2010. To date, the Authority has issued \$434,400,000 principal amount of PIT Bonds to finance mental health services facilities (the “MH PIT Bonds”). PIT Bonds (which are issued to finance many programs in addition to mental health services facilities), including MH PIT Bonds, are payable, subject to appropriation, from amounts in the Revenue Bond Tax Fund held by the State Comptroller and Commissioner of Taxation and Finance. Although the MH PIT bonds are payable from such amounts (and are not payable from the Services Fund), the legislation referred to above also provides that an amount equal to debt service on the MH PIT Bonds is to be retained in the Services Fund in the same manner as described above with respect to debt service on the Bonds. Such legislation further provides that such amounts shall be transferred to the Revenue Bond Tax Fund no later than five days prior to the date that debt service is due on the MH PIT Bonds. *The accumulation of such amounts in the Services Fund and the subsequent transfer from the Services Fund to the Revenue Bond Tax Fund is subordinate in all respects to the payments to be made to the Authority from the Services Fund in respect of debt service on the Prior Authority Bonds and the Bonds.*

executory only to the extent of moneys appropriated and available to the State and no liability on account thereof is incurred by the State beyond moneys appropriated and available for the purposes thereof.

The successful maintenance and operation of the mental health services facilities improvement program, its overall financial viability and the marketability of the Bonds are dependent upon the ability and willingness of the State Legislature to continue making appropriations in the amounts required for the Prior Authority Annual Payments, for the Annual Payments due under the Financing Agreements and for the operation of such program through the Department, and there can be no assurance that State funds will be available in the amounts contemplated or required for such purposes.

Summary of Statutory Flow of Funds

The following paragraphs and chart are a summary of the flow of funds relating to the deposits and transfers of mental hygiene patient care income and Voluntary Agency Payments.

1. Mental hygiene patient care income from Federal Medicaid funds and the local share of the State’s Medicaid plan for alcoholism services is received by the State Department of Health and, subject to appropriation, is then transferred to the appropriate Office of the Department. Such amounts are then paid to the Authority and deposited in the Mental Hygiene Facilities Improvement Fund Income Account.

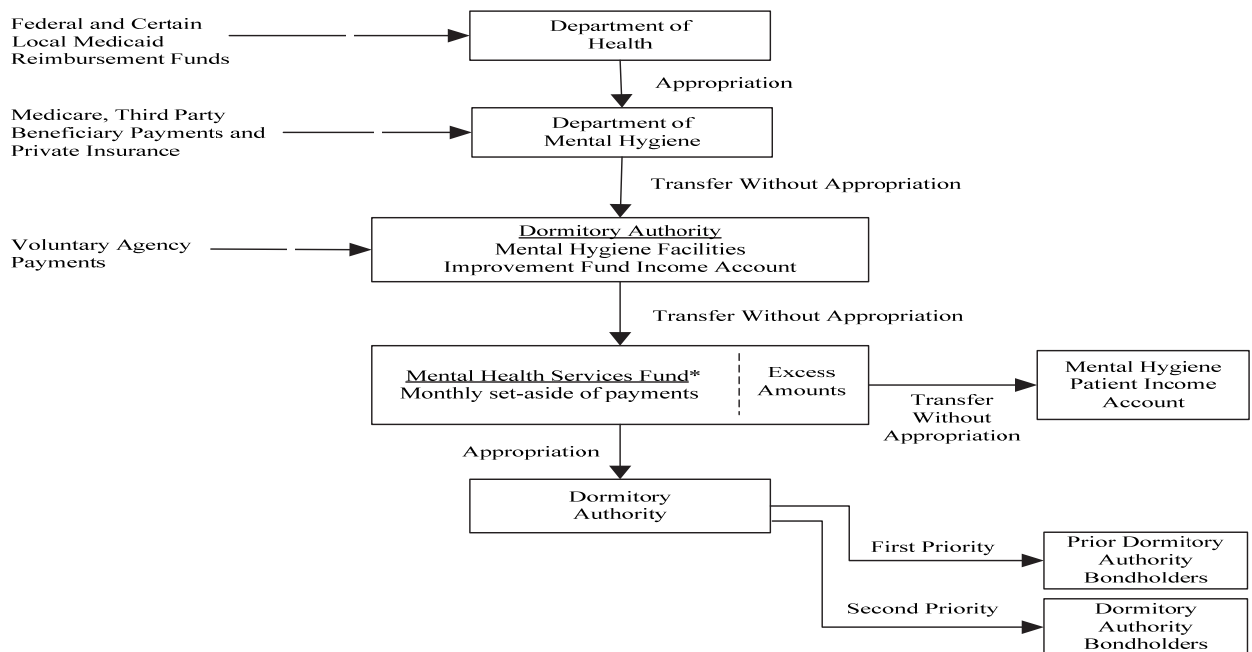
2. Mental hygiene patient care income from Medicare, private insurance and third party beneficiary payments is received by the appropriate Office of the Department and is then paid to the Authority and is deposited in the Mental Hygiene Facilities Improvement Fund Income Account.

3. Voluntary Agency Payments are received by the Authority and then deposited in the Mental Hygiene Facilities Improvement Fund Income Account.

4. All moneys in the Mental Hygiene Facilities Improvement Fund Income Account (i.e., Nos. 1, 2 and 3 above) are required, pursuant to the State law, to be transferred to the Services Fund.

5. Of the amounts so received in the Services Fund, the Comptroller is required to retain in the Services Fund 20% of the next payment due with respect to payments required to be made semiannually: (i) under the agreements entered into by the Authority and the Department prior to February 26, 2003 for the financing and refinancing of mental health services facilities, and (ii) under the Financing Agreements; multiplied by the number of months from the date of the last such payment. The effect of such retainage is to set aside, on a monthly basis, 20% of the next semi-annual installment of the Prior Authority Annual Payments and the Annual Payments so that by the time such next semi-annual installment is due, a sufficient amount has been set aside (from amounts received in the Services Fund) to make such payment. With respect to payments required to be made other than semiannually, the Comptroller also is required to retain in the Services Fund in each month until paid to the Authority, the amounts due as are specified in Financing Agreements or other agreements. Amounts in excess of such required retainage are to be deposited in the Mental Hygiene Patient Income Account and, subject to appropriation, are to be used to fund a portion of the Department’s operating costs.*

6. The Pledge and Assignment provides that, subject to appropriation, the Commissioner of Taxation and Finance and the Comptroller, after paying or setting aside for the payment of the installments of Prior Authority Annual Payments shall pay to the Authority on February 10 and August 10 of each year with respect to payments required to be made semiannually and on such other dates specified in the Financing Agreements with respect to payments required to be paid other than semiannually, the installments of Annual Payments due the Authority under the Financing Agreements, solely from moneys credited or to be credited to the Services Fund.



* See footnote on page 8.

Outstanding Indebtedness

Prior Authority Bonds have been issued to finance and refinance mental hygiene facilities for use by the Department or by Voluntary Agencies, \$528,840,000 of which remain outstanding as of March 31, 2009. In addition, \$4,209,380,000 aggregate principal amount of Bonds have been issued to finance and refinance mental hygiene facilities for use by the Department or by Voluntary Agencies, approximately \$3,148,005,000 of which were outstanding as of March 31, 2009. See "PART 7 - THE AUTHORITY - Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)."

PART 3 - THE REOFFERED BONDS

General

The Reoffered Bonds were issued pursuant to the Act and the Resolutions. The Reoffered Bonds are dated and will mature as set forth on the cover of this Remarketing Circular.

The Reoffered Bonds are being remarketed as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Reoffered Bonds are exchangeable for other fully registered Reoffered Bonds of the same Series and Subseries in any other authorized denomination of the same maturity. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Reoffered Bond. The cost, if any, of preparing each new Reoffered Bond issued upon such exchange or transfer and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

The Reoffered Bonds are registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's "Book-Entry Only System." Purchases of beneficial interests in the Reoffered Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued, the Reoffered Bonds will be exchangeable for other fully registered certificated Reoffered Bonds in any authorized denominations of the same Series, Subseries, maturity and interest rate. So long as DTC or its nominee, Cede & Co., is the registered owner of the Reoffered Bonds, payments of the principal and Redemption Price of and interest on the Reoffered Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interest in the Reoffered Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See "Book-Entry Only System" below.

The Reoffered Bonds were issued and will be remarketed as variable rate obligations in a Weekly Mode. The method of determining interest on the Reoffered Bonds may be converted at the option of the Authority from the Weekly Mode to a Daily, Flexible, Auction Rate, Term Rate or Fixed Rate Mode upon the terms and subject to the conditions described below under the subheading "Mode Conversions."

This Remarketing Circular in general describes the Reoffered Bonds only while the Reoffered Bonds are in the Weekly Mode.

Weekly Rate Bonds

The Reoffered Bonds will bear interest at the Weekly Rate determined in accordance with the Resolutions and described below, during the period from the date of the remarketing of the Reoffered Bonds on July 13, 2009 to and including July 15, 2009, and thereafter, unless converted to another Mode, commencing on each Thursday to and including the earlier of (i) the Wednesday of the following week or (ii) the day preceding any Mandatory Tender Date (defined below) or the maturity date of the Reoffered Bonds (the "Weekly Rate Period").

Interest Payment Dates

While in the Weekly Mode, interest on the Reoffered Bonds will be payable on the first Business Day of each month, calculated on the basis of a 365- or 366-day year, as applicable, for the actual number of days lapsed.

Determination of Weekly Rates

Each Subseries of the Reoffered Bonds will bear interest at rates determined separately for each such Subseries in accordance with the Resolutions and described below.

Each Subseries of the Reoffered Bonds will bear interest at a rate per annum determined by the Remarketing Agent and delivered in writing to the Trustee on the date of the remarketing of the Reoffered Bonds on July 13, 2009. Thereafter, for so long as the Reoffered Bonds remain in the Weekly Mode, the Reoffered Bonds will bear interest at the rate per annum (the “Weekly Rate”) determined by the Remarketing Agent by no later than 4:00 p.m., New York City time, on each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday (the “Weekly Rate Determination Date”). Each Weekly Rate determined by the Remarketing Agent shall be the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Reoffered Bonds on the Weekly Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Remarketing Agent shall make the Weekly Rate available by Electronic Means to each Notice Party by 4:30 p.m., New York City time, on the Weekly Rate Determination Date.

In no event may the Weekly Rate exceed the Maximum Rate which is 12% per annum for Reoffered Bonds other than Bank Bonds (as defined below).

The determination of each Weekly Rate by the Remarketing Agent shall, in the absence of manifest error, be conclusive and binding upon the Remarketing Agent, the Tender Agent, the Trustee, the Authority, the Credit Facility Provider, the Liquidity Facility Provider and the Bondholders.

In the event (i) the Remarketing Agent fails to determine the Weekly Rate for any Subseries of the Reoffered Bonds, or (ii) the method of determining the Weekly Rate shall be held to be unenforceable by a court of law of competent jurisdiction, then the interest rate to be borne by such Subseries of the Reoffered Bonds during such Weekly Rate Period will be the SIFMA Municipal Swap Index or, in the event the SIFMA Municipal Swap Index is no longer published, the S&P Weekly Index. If neither the SIFMA Municipal Swap Index nor the S&P Weekly Index are published, then the interest rate to be borne by such Subseries of the Reoffered Bonds during such Weekly Rate Period shall be an index or a rate selected or determined by the Trustee and consented to by the Authority and the Credit Facility Provider.

Mode Conversions

At the option of the Authority, all or any portion of a Subseries of the Reoffered Bonds may be converted to a Daily Rate, Flexible Rate, Auction Rate, Term Rate or may be converted to a Fixed Rate Mode on any Interest Payment Date, or, if such date is not a Business Day, the following Business Day (referred to herein as a “Conversion Date”) in the manner and upon the satisfaction of any terms and conditions set forth in the Resolutions; *provided, however*, any Reoffered Bonds to be converted to a Fixed Rate Mode shall not bear interest at a rate exceeding the Maximum Rate in effect for such Reoffered Bonds prior to conversion to a Fixed Rate Mode, and, once converted to a Fixed Rate Mode, such Reoffered Bonds may not then be converted to any other Mode. See “Appendix D - Summary of Certain Provisions of the Resolutions.”

Mandatory Tender Upon Conversion

Any Reoffered Bonds to be converted to a different Mode, other than a conversion to a Daily Mode unless otherwise provided as a non-covered Mode in the Liquidity Facility applicable thereto, shall be subject to mandatory tender on the Conversion Date at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. See “Optional and Mandatory Tender and Purchase” below. See “Optional and Mandatory Tender and

Purchase” below. *As long as the Letters of Credit remain in effect, the Reoffered Bonds shall be subject to mandatory tender for purchase upon the conversion of such Bonds to any other Mode from the Weekly Mode, including a conversion to the Daily Mode.*

Conditions Precedent to Conversion

The Resolutions provide that the following conditions be satisfied in order to effect a Conversion from the Weekly Mode to another Mode:

(a) Not less than twenty (20) days prior to the proposed Conversion Date, the Authority shall give written notice to the other Notice Parties of its intention to effect a change in the Mode from the Weekly Mode to another Mode specified in such written notice, together with the proposed Conversion Date. On or prior to the delivery of such notice, the Authority shall deliver to the Trustee a letter from counsel acceptable to the Trustee and addressed to the Trustee to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel with respect to such Conversion on the Conversion Date.

(b) On the Conversion Date, the Trustee and Remarketing Agent shall have received:

(i) a Favorable Opinion of Bond Counsel;

(ii) in the case of a Conversion to the Daily Mode, the Flexible Rate Mode or the Term Rate Mode (other than for a Term Rate Period effective to the maturity date of the Reoffered Bonds), a Liquidity Facility satisfying the requirements of the Resolutions shall be in effect on the Conversion Date;

(iii) in the case of a Conversion to an Auction Mode, an executed copy of an Auction Agreement and one or more Broker-Dealer Agreements; and

(iv) a certificate of an authorized officer of the Tender Agent to the effect that all Reoffered Bonds tendered or deemed tendered have been purchased at a price at least equal to the Purchase Price.

Failed Conversions

If all of the conditions precedent to a Mode Conversion described above have not been satisfied on or prior to the Conversion Date, then the new Mode shall not take effect, such Reoffered Bonds will continue to bear interest at a Weekly Rate commencing on the date which would have been the effective date of the Conversion, and, to the extent such Bonds are otherwise subject to mandatory tender upon a Mode Conversion, such Bonds will continue to be subject to mandatory tender for purchase on the failed Conversion Date.

Notice of Conversions

The Trustee will give notice of a Conversion, by first class mail, to the Owners of the Reoffered Bonds to be converted not less than fifteen (15) days prior to the proposed Conversion Date. Such notice may be combined with the notice of mandatory tender required to be given in connection with a Mode Conversion as described below under the subheading “Optional and Mandatory Tender and Purchase of Weekly Rate Bonds – *Mandatory Tender and Purchase.*”

Optional and Mandatory Tender and Purchase

Optional Tender and Purchase

Any Weekly Rate Bond (or portions thereof in Authorized Denominations) that is not a Bank Bond is subject to purchase, on the demand of the Owner thereof, at a price equal to the Purchase Price on any Business Day, upon delivery of an irrevocable written notice of tender by hand delivery or Electronic Means to the Tender

Agent and the Remarketing Agent, at their respective Principal Offices, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Optional Tender Date specified by the Owner. Such notice shall state the number and principal amount of such Weekly Rate Bond being tendered and the Purchase Date. Such tender notice, once transmitted to the Tender Agent, shall be irrevocable with respect to the tender for which such tender notice was delivered and such tender shall occur on the Business Day specified in such Tender Notice. The contents of any irrevocable tender notice shall be conclusive and binding on all parties.

Notwithstanding the foregoing, during any period that the Reoffered Bonds are registered in the name of DTC or a nominee thereof pursuant to the Resolutions, (i) any notice of tender delivered as provided above shall identify the DTC participant through whom the beneficial owner will direct transfer; (ii) on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC participant, cause its DTC participant to direct) the transfer of said Bond on the records of DTC; and (iii) it shall not be necessary for the Reoffered Bonds to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Reoffered Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC. In accepting a notice of tender of any Reoffered Bonds as provided above, the Trustee and the Tender Agent may conclusively assume that the Person providing the notice of tender is the beneficial owner of the Bonds being tendered and therefore entitled to tender them. The Trustee and Tender Agent assume no liability to anyone in accepting a notice of tender from a Person whom it reasonably believes to be such a beneficial owner of the Reoffered Bonds.

Mandatory Tender and Purchase

Each Subseries of the Reoffered Bonds is subject to mandatory tender for purchase upon the occurrence of the following events on the dates specified below (each a “Mandatory Tender Date”).

Upon Conversion to Another Mode. Other than Bank Bonds and, unless otherwise provided as a non-covered Mode in the Liquidity Facility applicable thereto, Weekly Rate Bonds to be converted to a Daily Mode, any Reoffered Bonds to be converted to a different Mode from the Weekly Mode shall be subject to mandatory tender on the Conversion Date as described above under the subheading “Mode Conversions - Mandatory Tender Upon Conversion.” ***As long as the Letters of Credit remain in effect, the Reoffered Bonds shall be subject to mandatory tender for purchase upon the conversion of such Bonds to any other Mode from the Weekly Mode, including a conversion to the Daily Mode.***

Upon Expiration, Termination or Substitution of the Liquidity Facility or Credit Facility. Except for Bank Bonds, the Reoffered Bonds shall be subject to mandatory tender for purchase on:

(a) the second Business Day preceding the stated expiration date of the Credit Facility or Liquidity Facility in effect for the related Reoffered Bonds, or such stated expiration date as it may be extended from time to time as provided therein (the “Expiration Date”), which second Business Day is referred to herein as the “Expiration Tender Date”;

(b) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the date on which (a) the Liquidity Facility or Credit Facility in effect for the related Reoffered Bonds shall terminate pursuant to its terms or otherwise be terminated prior to its Expiration Date, or (b) the obligation of the Liquidity Facility Provider to provide a loan pursuant to the Liquidity Facility shall terminate (the “Termination Date”), which fifth calendar day is referred to herein as a “Termination Tender Date”;

(c) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the Trustee of a written notice from the issuer of a Direct-Pay Credit Facility that such Direct-Pay Credit Facility will not be reinstated (in respect of interest) in an amount equal to 46 days’ of interest at a rate of 12% per annum (referred to as the “Required Interest Component”), which fifth calendar day is hereinafter referred to as a “Interest Non-Reinstatement Tender Date”; and

(d) on the Substitution Date of the Liquidity Facility or Credit Facility in effect for the related Reoffered Bonds which is defined as:

(i) the second Business Day preceding the date that is specified in a written notice given to the Trustee and the Tender Agent in accordance with the Liquidity Facility or the Credit Facility, as the date on which the assignment of the obligation of the Liquidity Facility Provider under such Liquidity Facility or the Credit Facility Provider under such Credit Facility shall be effective; *provided, however*, that any date so specified in the notice as the effective date of such assignment shall be treated as the effective date of such assignment if the substitution of the assignment fails to occur on such date; and

(ii) the date specified in a written notice from the Authority to the Trustee and the Tender Agent as the date on which an Alternate Liquidity Facility or Alternate Credit Facility is to be substituted for the then-existing Liquidity Facility or Credit Facility; *provided, however*, that (a) any date so specified in the written notice shall be treated as a Substitution Date only if such notice is given to the Trustee and the Tender Agent at least sixteen (16) days preceding such date, and (b) any date so specified in the notice shall be treated as a Substitution Date for purposes of the Resolutions even if the substitution of the Liquidity Facility or the Credit Facility fails to occur on such date.

Notice of Mandatory Tender for Purchase. The Trustee shall,

(a) at least fifteen (15) days prior to any Conversion Date for the Reoffered Bonds, give notice of the mandatory tender for purchase of such Reoffered Bonds that is to occur on such Conversion Date.

(ii) at least fifteen (15) days prior to any Expiration Tender Date, give notice of the mandatory tender on such Expiration Tender date if it has not theretofore received confirmation that the Expiration Date has been extended;

(iii) within one (1) Business Day upon receipt of written notice from the Liquidity Facility Provider, the Credit Facility Provider or the Authority that the related Liquidity Facility or Credit Facility, as the case may be, will terminate, give notice of the mandatory tender that is to occur on the Termination Tender Date;

(iv) within one (1) Business Day upon receipt of a written notice from the issuer of a Direct-Pay Credit Facility that such Direct-Pay Credit Facility will not be reinstated (in respect of interest) to the Required Interest Component, give notice of the mandatory tender that is to occur on the Interest Non-Reinstatement Tender Date if it has not theretofore received from the issuer of the Direct-Pay Credit Facility a notice stating that the Direct-Pay Credit Facility has been reinstated to the Required Interest Component; and

(v) at least fifteen (15) days prior to any Substitution Date, give notice of the mandatory tender that is to occur on such Substitution Date.

Except as otherwise provided, notice of any mandatory tender of the Reoffered Bonds shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first class mail to each Owner of Reoffered Bonds at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify the Mandatory Tender Date, the Purchase Price, the place and manner of payment, that the Owner has no right to retain such Reoffered Bonds and that no further interest will accrue from and after the Mandatory Tender Date to such Owner. Each notice of mandatory tender for purchase caused by a Conversion in the Mode shall also specify the conditions that must be satisfied pursuant to the Resolutions for the new Mode to become effective and the consequences of a failure to satisfy any of such conditions (as described above under the heading “Mode Conversions”). In the event a mandatory tender of Reoffered Bonds shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Owner of any Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Trustee to give a

notice as provided under this caption would not affect the obligation of the Tender Agent to purchase the Reoffered Bonds on the Mandatory Tender Date.

Remarketing of Reoffered Bonds

The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Reoffered Bonds tendered for purchase. To the extent a Liquidity Facility is in effect, (i) no Reoffered Bonds shall be remarketed to the Authority, or any affiliate of the Authority, and (ii) no Bank Bonds shall be remarketed unless the Liquidity Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Reoffered Bonds became Bank Bonds.

Delivery and Payment of Purchased Bonds; Undelivered Bonds

Except as otherwise required or permitted by the book entry only system of the Securities Depository, in order for payment to be made on the Tender Date, the Reoffered Bonds purchased shall be delivered (with all necessary endorsements) at or before 1:00 p.m. on the Tender Date, as the case may be, at the office of the Tender Agent in New York, New York; *provided, however*, that payment of the Purchase Price of any Reoffered Bond purchased upon demand of the Owner thereof as described above under the heading “*Optional Tender and Purchase*” shall be made only if such Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Tender Date, or, if the Owner has not provided or caused to be provided wire transfer instructions, by check mailed to the Owner at the address appearing in the books required to be kept by the Trustee pursuant to the Resolutions.

If Reoffered Bonds to be purchased are not delivered by the Owners to the Tender Agent by 1:00 p.m. on the Tender Date (referred to herein as “Undelivered Bonds”), the Tender Agent shall hold any funds received for the purchase of such Bonds in trust in a separate account and shall pay such funds to the former Owners upon presentation of the Reoffered Bonds subject to tender. Any such amounts shall be held uninvested. Undelivered Bonds shall be deemed tendered and cease to accrue interest as to the former Owners on the Tender Date and moneys representing the Purchase Price shall be available against delivery of such Undelivered Bonds at the Principal Office of the Tender Agent; *provided, however*, that any funds which shall be so held by the Tender Agent and which remain unclaimed by the former Owner of any such Undelivered Bond for a period of two years after delivery of such funds to the Tender Agent, shall, to the extent permitted by law, upon request in writing by the Authority and the furnishing of security or indemnity to the Tender Agent’s satisfaction, be paid to the Authority free of any trust or lien and thereafter the former Owner of such Undelivered Bond shall look only to the Authority and then only to the extent of the amounts so received by the Authority and any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Reoffered Bonds.

Source of Funds for Purchase

Payment of the Purchase Price of Reoffered Bonds tendered or deemed tendered for purchase shall be paid first, from immediately available funds transferred by the respective Remarketing Agent to the Tender Agent from proceeds of the remarketing of such Bonds, and second, from immediately available funds transferred from the Liquidity Facility Provider pursuant to a draw on the related Liquidity Facility. The Authority is not obligated to pay the Purchase Price of any tendered Reoffered Bonds.

Special Considerations Relating to the Remarketing of the Reoffered Bonds

The information contained under this subheading “Special Considerations Relating to the Remarketing of the Reoffered Bonds” has been provided by the Remarketing Agent for use in this Remarketing Circular but has not been required by the Authority to be included herein and, to the extent such information does not describe express provisions in the Resolutions or the Remarketing Agreement, the Authority does not accept any responsibility for its accuracy or completeness.

The Remarketing Agent is Paid by the Authority

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Reoffered 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 Remarketing Circular. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Reoffered 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, routinely purchases such obligations for its own account in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Reoffered Bonds for its own account and, if it does so, it may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Reoffered Bonds by routinely purchasing and selling Reoffered 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 Reoffered Bonds. The Remarketing Agent may also sell any Reoffered Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Reoffered Bonds. The purchase of Reoffered Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Reoffered Bonds in the market than is actually the case. The practices described above also may result in fewer Reoffered Bonds being tendered in a remarketing.

Reoffered Bonds May be Offered at Different Prices on Any Date Including a 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 Reoffered Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Reoffered Bonds (including whether the Remarketing Agent is willing to purchase Reoffered Bonds for its own account). There may or may not be Reoffered Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Reoffered Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Reoffered Bonds at varying prices to different investors on either 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 Reoffered Bonds at the remarketing price. In the event the Remarketing Agent owns any Reoffered Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Reoffered Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

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

The Remarketing Agent may buy and sell Reoffered 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 Reoffered Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Reoffered Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Reoffered Bonds other than by tendering the Reoffered Bonds in accordance with the tender process.

Redemption Provisions

The Reoffered Bonds are subject to optional and mandatory redemption as described below.

Optional Redemption

While bearing interest at a Weekly Rate, each Subseries of the Reoffered Bonds is subject to redemption prior to maturity, at the option of the Authority, in whole or in part, on any Interest Payment Date, at a Redemption Price of 100% of the principal amount of the Reoffered Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption.

Sinking Fund Redemption

The Reoffered Bonds are also subject to redemption, in part, on February 15 in the each of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of the Reoffered Bonds specified for each of the years shown below:

Subseries 2003D-2E		Subseries 2003D-H	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2011	\$2,300,000	2011	\$1,200,000
2012	2,400,000	2012	1,200,000
2013	2,500,000	2013	1,300,000
2014	3,000,000	2014	1,500,000
2015	3,500,000	2015	1,700,000
2016	3,600,000	2016	1,800,000
2017	4,900,000	2017	2,500,000
2018	6,500,000	2018	3,200,000
2019	7,300,000	2019	3,600,000
2020	7,500,000	2020	3,800,000
2021	8,100,000	2021	4,100,000
2022	8,100,000	2022	4,000,000
2023	7,600,000	2023	3,800,000
2024	6,600,000	2024	3,300,000
2025	5,700,000	2025	2,900,000
2026	6,100,000	2026	3,100,000
2027	5,300,000	2027	2,600,000
2028	3,600,000	2028	1,800,000
2029	2,700,000	2029	1,400,000
2030	1,600,000	2030	800,000
2031	800,000†	2031	400,000†

† Final maturity.

The Authority may from time to time direct the Trustee to purchase Reoffered Bonds with moneys set aside for redemption in the Debt Service Account, at or below par plus accrued interest to the date of such purchase, and apply any Reoffered Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Reoffered Bonds of the same Subseries and maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption in such year through mandatory Sinking Fund Installments of any Bondholder's Reoffered Bonds of the Subseries and maturity so purchased will be reduced.

Selection of Bonds to be Redeemed

In the case of redemptions of Reoffered Bonds described above under the headings “Optional Redemption,” the Authority will select the principal amounts and maturities of the applicable Subseries of the Reoffered Bonds to be redeemed. If less than all of a maturity of a Subseries of the Reoffered Bonds is to be redeemed, the Reoffered Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion. DTC has informed the Authority that so long as DTC acts as securities depository for the Reoffered Bonds of a Subseries, if less than all of the Reoffered Bonds of a maturity of such Subseries are called for redemption, the particular Reoffered Bonds or portions thereof to be redeemed will be selected by lot by DTC and the DTC Participants in accordance with their procedures. See “Book-Entry Only System” below.

Notice of Redemption

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

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

For a more complete description of the redemption and other provisions relating to the Reoffered Bonds, see “Appendix D - Summary of Certain Provisions of the Resolutions.” Also see “Book-Entry Only System” below for a description of the notices of redemption to be given to Beneficial Owners of the Reoffered Bonds when the Book-Entry System is in effect.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Reoffered Bonds. The Reoffered Bonds will be remarketed as fully-registered securities 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 Reoffered Bond certificate will be issued for each maturity of each Subseries of the Reoffered Bonds, each in the aggregate principal amount of such maturity of such Subseries, and will be deposited with DTC.

DTC, the world’s largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities

Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 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 Reoffered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Reoffered Bonds on DTC’s records. The ownership interest of each actual purchaser of each Reoffered 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 Reoffered 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 any Series of the Reoffered Bonds, except in the event that use of the book-entry system for a Series of the Reoffered Bonds is discontinued.

To facilitate subsequent transfers, all Reoffered 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 Reoffered 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 Reoffered Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Reoffered 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.

As long as the DTC book-entry-only system is used for the Reoffered Bonds, redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of a Subseries of the Reoffered Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

DTC may discontinue providing its services as depository with respect to a Subseries of the Reoffered Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event a successor depository is not obtained, Reoffered Bond certificates are required to be printed and delivered.

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

The information contained in the preceding paragraphs of this subsection "Book-Entry Only System" concerning DTC and DTC's book-entry-system has been obtained from sources the Authority and the Remarketing Agent believe to be reliable, but the Authority and the Remarketing Agent take no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT OR INDIRECT PARTICIPANT OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE REOFFERED BONDS UNDER OR THROUGH DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE REOFFERED BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO REGISTERED OWNERS THEREUNDER OR UNDER THE CONDITIONS TO TRANSFERS OR EXCHANGES ADOPTED BY THE AUTHORITY; OR (IV) OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER. INTEREST, REDEMPTION PREMIUM, IF ANY, AND PRINCIPAL WILL BE PAID BY THE TRUSTEE TO DTC OR ITS NOMINEE. DISBURSEMENT OF SUCH PAYMENTS TO THE DIRECT OR INDIRECT PARTICIPANTS IS THE RESPONSIBILITY OF DTC AND DISBURSEMENT OF SUCH PAYMENTS TO THE BENEFICIAL OWNERS IS THE RESPONSIBILITY OF THE DIRECT OR INDIRECT PARTICIPANTS.

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

So long as Cede & Co. is the registered owner of the Reoffered Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Reoffered Bonds (other than under the captions "PART 10 – TAX EXEMPTION" and "PART 16 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Reoffered Bonds.

PART 4 – THE LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS

Each Letter of Credit will be issued by the Bank pursuant to the related Reimbursement Agreement supporting the related Subseries of Reoffered Bonds. The following summarizes certain provisions of each Letter of Credit and each Reimbursement Agreement, to which documents reference is made for the complete provisions thereof. The Reimbursement Agreements are substantially similar, and the Letters of Credit are substantially similar. Accordingly, the majority of the discussion below is generic and applies equally to each Reimbursement Agreement and each Letter of Credit. Investors should obtain and review a copy of each Reimbursement Agreement and each Letter of Credit in order to understand all of the terms of that document. The provisions of any Alternate Credit Facility or Alternate Liquidity Facility and its related reimbursement agreement, if any, may be different from those summarized below.

Any reference herein to the Reoffered Bonds, either Letter of Credit or either Reimbursement Agreement or other documents shall be deemed to mean the Reoffered Bonds of a particular Subseries or such Letter of Credit or such Reimbursement Agreement or other documents, unless the context or use clearly indicates otherwise.

The Letters of Credit

Each Letter of Credit issued by the Bank relating to the related Subseries of Reoffered Bonds is an irrevocable obligation of the Bank. Each Letter of Credit will be issued in an amount equal to the aggregate principal amount of the applicable outstanding Subseries of Reoffered Bonds secured by the Letter of Credit, plus 46 days' of interest at a rate of 12% per annum (the "*Cap Interest Rate*"). The Trustee, upon compliance with the terms of the related Letter of Credit, is authorized and directed to draw up to (a) an amount sufficient (i) to pay principal of the related Subseries of Reoffered Bonds secured by such Letter of Credit (other than the related Subseries of Reoffered Bonds purchased with the proceeds of a Liquidity Drawing (as defined in the related Letter of Credit) that have not been remarketed ("*Bank Bonds*"), related Subseries of Reoffered Bonds bearing interest at a rate other than the Weekly Rate ("*Converted Bonds*") and related Subseries of Reoffered Bonds held by or on behalf of the Authority ("*Authority Bonds*") when due, whether at maturity or upon redemption or acceleration, and (ii) to pay the portion of the Purchase Price of the related Subseries of Reoffered Bonds (other than Bank Bonds, Converted Bonds and Authority Bonds) delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed (a "*Liquidity Drawing*") equal to the principal amount of such Subseries of Reoffered Bonds, plus (b) an amount not to exceed 46 days' of accrued interest on such Subseries of Reoffered Bonds at the Cap Interest Rate (i) to pay interest on related Subseries of Reoffered Bonds (other than Bank Bonds, Converted Bonds and Authority Bonds) when due, and (ii) to pay the portion of the Purchase Price of related Subseries of Reoffered Bonds (other than Bank Bonds, Converted Bonds and Authority Bonds) delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed, equal to the interest accrued, if any, on such Subseries of Reoffered Bonds.

The amount available under the Letter of Credit will be reduced to the extent of any drawing thereunder, subject to reinstatement as described below. With respect to a drawing by the Trustee solely to pay interest on the related Subseries of Reoffered Bonds on an interest payment date, the amount available under the Letter of Credit will be automatically reinstated effective as of the fifth (5th) day from the date of such drawing unless the Trustee shall have received from the Bank by telecopy (or other communication) on the fourth (4th) Business Day (as defined in the Letter of Credit) from the date of such drawing notice that has not been reimbursed in full for such drawing or any other Event of Default under the related Reimbursement Agreement has occurred and as a consequence thereof the amount of the reduction will not be so reinstated. With respect to a Liquidity Drawing, upon a remarketing of the related Subseries of Reoffered Bonds (or portions thereof) purchased with the proceeds of such Liquidity Drawing, the amount available under the Letter of Credit will be reinstated in an amount equal to the principal amount of the related Subseries of Reoffered Bonds purchased with the proceeds of such Liquidity Drawing, plus the amount of accrued interest thereon paid with the proceeds of such Liquidity Drawing, upon receipt by the Bank (or the Trustee on behalf of the Bank), of the amount of any Liquidity Drawing relating to the related Subseries of Reoffered Bonds purchased with the proceeds of such Liquidity Drawing plus all accrued interest thereon (or portions thereof) and written notice from the Trustee specifying such amounts.

Each Letter of Credit will terminate on the earliest of the Bank's close of business on (a) the stated expiration date July 12, 2010, unless renewed or extended; (b) the earlier of (i) the date which is sixteen (16) days

following the date (the “Conversion Date”) on which all of the related Subseries of Reoffered Bonds convert to bear interest at a rate other than the Weekly Rate as specified in a notice from the Trustee to the Bank, and (ii) the date on which the Bank honors a drawing under the related Letter of Credit on or after such Conversion Date; (c) the date on which the Bank, receives written notice from the Trustee that no related Subseries of Reoffered Bonds remain Outstanding within the meaning of the Resolution, all Drawings required to be made under the Resolutions and available under the related Letter of Credit have been made and honored or that an Alternate Credit Facility and/or Alternate Liquidity Facility has been issued in substitution for the related Letter of Credit in accordance with the terms of the Resolutions and the related Reimbursement Agreement; (d) the date on which an acceleration drawing or a stated maturity drawing is honored by the Bank; and (e) the date which is sixteen (16) days following the date the Trustee receives a written notice from the Bank specifying the occurrence of an event of default under the related Reimbursement Agreement and directing the Trustee to accelerate or cause a mandatory tender of the related Subseries of Reoffered Bonds.

Events of Default

Pursuant to each Reimbursement Agreement, the occurrence of any of the following events, among others, shall constitute an Event of Default thereunder. Reference is made to each Reimbursement Agreement for a complete listing of all Events of Default:

(a) the Authority shall fail to pay (i) any principal of or interest on any Drawing, any Liquidity Advance or any Bank Bond as and when due under the related Reimbursement Agreement, (ii) any principal of or interest on any related Subseries of Reoffered Bonds (for any reason other than the failure of the Bank to honor a properly presented and conforming Drawing under the Letter of Credit) as and when due or (iii) any other Obligations (as defined in the related Reimbursement Agreement) (other than Reimbursement Obligations (as defined in the related Reimbursement Agreement) within five (5) calendar days of the date when due hereunder;

(b) (i) any material representation or warranty made by the Authority in the related Reimbursement Agreement (or incorporated in the related Reimbursement Agreement by reference) or in any of the related Reoffered Bonds, the related Letter of Credit, the Resolutions, the Financing Agreement (State Project), the Pledge and Assignment, the Remarketing Agreement, the Tender Agent Agreement this Remarketing Circular and any other agreement or instrument relating thereto (collectively with the related Reimbursement Agreement, the “Related Documents”), or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the related Reimbursement Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect or (ii) any material information relating to the Department or the State in this Reoffering Circular or in any certificate, document, instrument, opinion or financial or other statement delivered by the State or the Department to the Bank contemplated by or made or delivered pursuant to or in connection with the related Reimbursement Agreement or this Reoffering Circular, shall prove to have been incorrect, incomplete or misleading in any material respect;

(c) any “event of default” by the Authority shall have occurred under any of the Related Documents (as defined respectively therein), including, but not limited to, the Resolutions and the other Reimbursement Agreement entered into by the Bank and the Authority;

(d) default in the due observance or performance of certain covenant set forth in the related Reimbursement Agreement;

(e) default in the due observance or performance of any other term, covenant or agreement set forth in the related Reimbursement Agreement (not referred to in clause (d) above) and the continuance of such default for 30 days after the earlier of (i) the date on which such default shall first become known to any officer of the Authority, or (ii) written notice thereof is given to the Authority by the Bank;

(f) any material provision of the related Reimbursement Agreement or any of the Related Documents shall cease to be valid and binding, or the Authority or the Department shall contest any such provision, or the Authority or the Department or any agent or trustee on behalf of the Department or the

Authority shall deny that it has any or further liability under the related Reimbursement Agreement or any of the Related Documents to which it is a party;

(g) the Authority shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in clause (h) below;

(h) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Authority or any substantial part of any of its property, or a proceeding described in clause (g)(v) above shall be instituted against the Authority and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 30 or more days;

(i) the Authority shall (i) default in any payment of any obligation (other than the related Subseries of Reoffered Bonds, the Drawings (as defined in the related Reimbursement Agreement) and the Liquidity Advances (as defined in the related Reimbursement Agreement)) secured by a charge, lien or encumbrance on the Revenues that ranks senior to or on a parity with the related Subseries of Reoffered Bonds ("Secured Debt"), beyond the period of grace, if any, provided in the instrument or agreement under which such Secured Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Secured Debt to become due prior to its stated maturity;

(j) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$10,000,000 and payable from Revenues shall be entered or filed against the Authority or against any of its Revenues and remain unvacated, unbonded or unstayed for a period of 30 days;

(k) (i) any of Fitch, Moody's or S&P shall downgrade their respective ratings of any Senior Debt or Parity Debt to below "BBB+" (or its equivalent) by Fitch, "Baa1" (or its equivalent) by Moody's or "BBB+" (or its equivalent) by S&P or (ii) any of Fitch, Moody's or S&P shall suspend or withdraw their respective ratings of any Senior Debt (as defined in the related Reimbursement Agreement) or Parity Debt (as defined in the related Reimbursement Agreement) for credit related reasons;

(l) any pledge or security interest created by the Resolutions or the related Reimbursement Agreement to secure any amount due under any Bonds or the related Reimbursement Agreement shall fail to be fully enforceable or fail to have the priority required under the Resolutions;

(m) a debt moratorium, debt restructuring, debt adjustment or comparable restriction shall have been declared by the Authority, the State or the Department with respect to any of their respective Indebtedness or a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on any Indebtedness of the Authority, the State or the Department by any Governmental Authority with appropriate jurisdiction;

(n) any change shall be made in the provisions of Section 97-f of the State Finance Law; if such change would, in the reasonable judgment of the Bank, materially and adversely affect the ability of

the Authority to pay any obligations of the Authority arising under or pursuant to the related Reimbursement Agreement or any other Related Document;

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

(p) the Internal Revenue Service or any other governmental authority of appropriate jurisdiction shall make a final determination that interest on the related Subseries of Reoffered Bonds is not excluded from gross income under federal or state income tax laws; or

(q) (i) the Authority shall cease to exist as a body corporate and politic and no entity shall assume the Authority's obligations with respect to the related Subseries of Reoffered Bonds, any other Parity Debt or any obligation due and owing under the related Reimbursement Agreement (including, without limitation, any Reimbursement Obligations) or (ii) the Authority shall cease to exist as a body corporate and politic and such action shall (A) materially decrease the amount of Revenues or (B) result in a Material Adverse Effect (as defined in the related Reimbursement Agreement).

Remedies

Upon the occurrence of any of the above-described Event of Default, the Bank may exercise one or more of the following rights and remedies in addition to any other remedies available in the related Reimbursement Agreement:

(a) declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Authority, provided that upon the occurrence of an Event of Default under clause (g) or (h) above such acceleration shall automatically occur without such notice; *provided, however*, that the Bank shall not have the right to declare amounts hereunder due and payable with respect to the related Subseries of Reoffered Bonds (including the Bank Bonds) or to accelerate the maturity date of related Subseries of Reoffered Bonds, except as expressly provided in the Resolutions;

(b) give notice of the occurrence of an Event of Default to the Trustee, directing the Trustee to cause a mandatory tender of the Bonds, thereby causing the related Letter of Credit to terminate sixteen (16) days thereafter;

(c) pursue any rights and remedies it may have under the Related Documents; or

(d) pursue any other action available at law or in equity.

PART 5 - SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS

12 Month Period Ending Feb. 15	Debt Service Requirements for all outstanding series of Prior Authority Bonds	Debt Service Requirements for Reoffered Bonds⁽¹⁾	Debt Service Requirements for all other Outstanding Series of Bonds⁽¹⁾	Total Debt Service Requirements⁽¹⁾
2010	\$76,335,455	\$ 4,556,868	\$268,345,087	\$349,237,410
2011	53,849,959	8,056,868	222,919,326	284,826,153
2012	49,435,278	8,050,328	279,020,188	336,505,794
2013	44,080,161	8,140,744	228,045,240	280,266,145
2014	43,697,753	8,725,072	277,345,506	329,803,331
2015	43,600,795	9,288,092	210,962,415	263,815,427
2016	39,788,679	9,329,804	263,261,913	312,380,396
2017	32,612,705	11,165,428	201,788,318	245,566,451
2018	26,572,829	13,240,172	256,611,182	296,424,183
2019	25,512,166	14,144,904	183,245,924	222,902,994
2020	41,922,879	14,213,108	214,198,418	270,334,405
2021	40,523,029	14,769,136	151,121,514	206,413,679
2022	39,711,124	14,297,768	194,443,433	248,452,325
2023	31,368,556	13,229,444	133,556,258	178,154,258
2024	25,982,413	11,382,428	171,266,132	208,630,973
2025	27,392,650	9,781,072	106,103,201	143,276,923
2026	14,646,381	10,119,288	101,229,402	125,995,071
2027	9,821,194	8,539,240	93,343,818	111,704,252
2028	11,882,988	5,798,764	81,217,221	98,898,973
2029	9,353,150	4,334,388	71,610,937	85,298,475
2030	6,206,369	2,509,584	65,149,040	73,864,993
2031	5,981,450	1,236,528	57,327,468	64,545,446
2032	2,878,631		54,163,476	57,042,107
2033			51,388,796	51,388,796
2034			35,775,306	35,775,306
2035			35,782,556	35,782,556
2036			17,530,000	17,530,000
2037			17,532,500	17,532,500
2038			8,106,000	8,106,000

(1) Assumes swap rates as the interest costs for Bonds issued at a variable rate of interest, and includes ongoing expenses as part of debt service.

PART 6 - THE DEPARTMENT

Department of Mental Hygiene

The Department was established on January 1, 1927, replacing and consolidating the functions of the State Hospital Commission and the State Commission for Mental Defectives. Pursuant to legislation effective in 1978, as amended in 1992, the Department is organized into three autonomous offices:

1. The Office of Mental Health (“OMH”);
2. The Office of Mental Retardation and Developmental Disabilities (“OMRDD”); and
3. The Office of Alcoholism and Substance Abuse Services (“OASAS”).

These three units function independently within the Department with complete responsibilities for the planning and administration of their respective programs. Each office is headed by a commissioner appointed by the Governor with the advice and consent of the Senate.

Office of Mental Health

As the State mental health agency, OMH has two main functions: assuring access to services of the highest quality for children with serious emotional disturbance and adults with serious mental illness, and promoting the mental health of all New Yorkers through a public health approach of education and advocacy. To that end, OMH works with local governments, voluntary agencies, and providers and consumers of mental health services to ensure appropriate care to those in need.

Currently, OMH operates 25 State psychiatric centers, including 16 facilities for adults, 6 for children and 3 for forensic patients, and several small community and residential care facilities. These provide a mix of inpatient, residential and outpatient services. In addition, OMH currently operates two research facilities, the Nathan S. Kline Institute and the New York State Psychiatric Institute, which conduct basic research into the causes and treatment of mental illness. OMH is responsible for regulating and licensing mental health programs operated by local governments and not-for-profit and proprietary agencies. In its capacity as a regulator, OMH oversees clinical and residential care provided by over 1,100 community agencies and hospitals. In connection with the foregoing, OMH is responsible for, among other things, the regulation and licensing of certain of the Voluntary Agency Facilities financed with the proceeds of the Bonds as well as certain of the Voluntary Agency Facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and licensing includes, among other things, participation in the determination as to the need for the facility, review of plans and specifications for construction of the facility, the right to conduct inspections and audits and the establishment of a reimbursement rate for client care. In addition, the capital costs and projected financing sources for any such Voluntary Agency Facilities financed from proceeds of the Bonds and the Prior Authority Bonds are subject to the approval of the State Division of the Budget.

Office of Mental Retardation and Developmental Disabilities

OMRDD is charged with developing a comprehensive, cost-effective and integrated system of services to serve the full range of needs of individuals with developmental disabilities. OMRDD operates through 13 service districts, which administer community-based and, where applicable, institutionally-based service programs for persons with mental retardation and developmental disabilities within regional catchment areas. Institutional programs offer residential care and habilitative services in campus settings informally known as developmental centers and at special population units located throughout the State. The community-based service program, funded and regulated by OMRDD, reflects the cooperative efforts of local governments, voluntary not-for-profit service providers and OMRDD as a provider of services. Community programs include State- and voluntary-operated residential and day services, as well as a variety of support services to families and individuals living in their own homes, including respite and crisis intervention, which help prevent unnecessary and costly out-of-home placement. In connection with the foregoing, OMRDD is responsible for, among other things, the regulation and licensing of certain of the Voluntary Agency Facilities financed with the proceeds of the Bonds as well as certain of the Voluntary Agency Facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and licensing includes, among other things, participation in the determination as to the need for the facility, review of plans and specifications for construction of the facility, the right to conduct inspections and audits and the establishment of a reimbursement rate for services. In addition, the capital costs and projected financing sources for any such Voluntary Agency Facilities financed from proceeds of the Bonds and the Prior Authority Bonds are subject to the approval of the State Division of the Budget.

Office of Alcoholism and Substance Abuse Services

OASAS is responsible for assuring the development of comprehensive plans, programs and services in the areas of research, prevention, care, education, training, treatment and rehabilitation to address chemical dependencies and/or compulsive gambling problems of individuals and their families. OASAS will operate 12 inpatient Addiction Treatment Centers (“ATCs”) providing intensive chemical dependence rehabilitation services to more than 9,000 patients in State Fiscal Year 2009-10. With the exception of the Kingsboro and the Van Dyke ATCs, all ATCs are housed on the grounds of State psychiatric centers. In addition, OASAS oversees a network of approximately 1,500 drug, alcohol and compulsive gambling treatment and prevention programs that provide a continuum of care ranging from short stay detoxification centers to long term drug and alcohol free residential communities. In connection with the foregoing, OASAS is responsible for, among other things, the regulation and licensing of certain of the Voluntary Agency Facilities financed with the proceeds of the Bonds as well as certain of the Voluntary Agency Facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and licensing includes, among other things, participation in the determination as to the need for the facility, review of plans and specifications for construction of the facility, the right to conduct inspections and audits and the establishment of a reimbursement rate for client care. In addition, the capital costs and projected financing sources for any such Voluntary Agency Facilities financed from proceeds of the Bonds and the Prior Authority Bonds are subject to the approval of the State Division of the Budget.

Department Facilities

A listing of institutions operated by each office of the Department, by category, follows. This listing excludes numerous small facilities in which these offices provide community services.

Office of Mental Health

Psychiatric Centers

Greater Binghamton Health Center	Manhattan Psychiatric Center
Bronx Psychiatric Center	Mohawk Valley Psychiatric Center
Buffalo Psychiatric Center	Pilgrim Psychiatric Center
Capital District Psychiatric Center	Richard H. Hutchings Psychiatric Center
Creedmoor Psychiatric Center	Rochester Psychiatric Center
Elmira Psychiatric Center	Rockland Psychiatric Center
Hudson River Psychiatric Center	St. Lawrence Psychiatric Center
Kingsboro Psychiatric Center	South Beach Psychiatric Center

Children’s Psychiatric Centers

Bronx Children’s Psychiatric Center	Rockland Children’s Psychiatric Center
Brooklyn Children’s Psychiatric Center	Sagamore Children’s Psychiatric Center
Queens Children’s Psychiatric Center	Western New York Children’s Psychiatric Center

Forensic Facilities

Central New York Psychiatric Center	Mid-Hudson Forensic Psychiatric Center
Kirby Forensic Psychiatric Center	

Research Facilities

Nathan S. Kline Institute for Psychiatric Research
New York State Psychiatric Institute

Office of Mental Retardation and Developmental Disabilities

Service Districts

Bernard M. Fineson Developmental Disabilities Services Office	Long Island Developmental Disabilities Services Office
Brooklyn Developmental Disabilities Services Office	Metro New York Developmental Disabilities Services Office
Broome Developmental Disabilities Services Office ⁽¹⁾	Staten Island Developmental Disabilities Services Office
Capital District Developmental Disabilities Services Office	Sunmount Developmental Disabilities Services Office
Central New York Developmental Disabilities Services Office	Taconic Developmental Disabilities Services Office
Finger Lakes Developmental Disabilities Services Office	Western New York Developmental Disabilities Services Office
Hudson Valley Developmental Disabilities Services Office	

Other Facilities

Institute for Basic Research in Developmental Disabilities
Valley Ridge Center for Intensive Treatment⁽¹⁾

(1) Effective April 1, 2009, Valley Ridge Center for Intensive Treatment became part of Broome Developmental Disabilities Services Office.

Office of Alcoholism and Substance Abuse Services

Addiction Treatment Centers

Bronx Addiction Treatment Center	McPike Addiction Treatment Center
C.K. Post Addiction Treatment Center	R.E. Blaisdell Addiction Treatment Center
Creedmoor Addiction Treatment Center	Richard C. Ward Addiction Treatment Center
Dick Van Dyke Addiction Treatment Center	South Beach Addiction Treatment Center
J.L. Norris Addiction Treatment Center	St. Lawrence Addiction Treatment Center
Kingsboro Addiction Treatment Center	Stutzman Addiction Treatment Center

Population

Office of Mental Health

OMH's comprehensive five year plan continues to support the programmatic and fiscal strategy of implementing an integrated community based system of care. While OMH continues to monitor the need for State adult inpatient hospitalization, the plan calls for continued development of a comprehensive and integrated community mental health system, for which OMH proposes sponsoring continued State capital assistance to the voluntary, not-for-profit provider network.

In State Fiscal Year 2009-10, consistent with the Enacted Budget, OMH will staff and operate 3,580 beds in adult psychiatric centers, 538 children's beds and 695 forensic beds. OMH will also continue implementation of the Sex Offender Management and Treatment Act (SOMTA) at Manhattan Psychiatric Center, Central New York Psychiatric Center and St. Lawrence Psychiatric Center. In addition to inpatient hospital care, OMH will also continue to provide residential services to more than 2,500 individuals in State-operated programs, and outpatient services to more than 27,000 individuals across the State.

Office of Mental Retardation and Developmental Disabilities

Consistent with its comprehensive Five-Year Plan, OMRDD serves a diverse population of developmentally disabled individuals including, but not limited to, persons with mental retardation, cerebral palsy, autism and epilepsy. OMRDD’s programs are characterized by two related service systems: a State-operated institutional system and a community-based system with programs run by both the State and voluntary not-for-profit agencies.

The State-operated institutional system provides residential care and habilitative services to consumers at developmental centers and related special population units located throughout the State. The 2009-10 Enacted Budget supports a census of about 1,550 consumers at the beginning of the State fiscal year. During 2009-10 OMRDD will continue to move institutional consumers to more appropriate community settings; however, it is anticipated that these movements will be offset partially by new admissions, mostly of persons with challenging behaviors who will be placed in special population units.

The 2009-10 Enacted Budget supports the development of community residential beds for the NYS CARES initiatives for consumers on registration lists and for legally mandated populations, such as young adults aging out of either the special educational or foster care systems, and New York City Administration for Children’s Services consumers, as well as resources to develop community program opportunities for clients on registration lists.

The voluntary- and State-operated community-based service system provides a variety of day and residential programs for individuals. The emphasis in these programs is on habilitative and vocational services to meet the individualized needs of persons with developmental disabilities. The 2009-10 Enacted Budget includes resources for a 2009-10 start-of-year census of more than 8,000 consumers in State-operated community residential programs and approximately 4,700 consumers in State-operated day programs.

Office of Alcoholism and Substance Abuse Services

OASAS will operate 12 ATCs with a total bed capacity of 600 during the State’s 2009-10 fiscal year.

Population Statistics

The following are actual and projected population statistics for the State- and voluntary-operated residential programs of OMH, OMRDD and OASAS:

Year (as of 3/31)	Mentally Ill		Mentally Retarded or Developmentally Disabled		Chemical Dependence
	Psychiatric Center ⁽¹⁾	Community Residences ⁽²⁾	Developmental Center	Community Residences	Addiction Treatment Centers
2000	4,795	22,000	1,825	32,831	652
2001	4,529	24,200	1,720	34,500	652
2002	4,485	26,000	1,655	35,000	652
2003	4,280	26,500	1,651	31,721 ⁽³⁾	652
2004	4,130	26,900	1,634	32,250	652
2005	4,080	27,700	1,635	32,597	652
2006	3,969	27,755	1,605	33,157	652
2007	3,979	29,050	1,712	33,761	652
2008	3,934	30,100	1,657	34,148	652
2009	4,030	31,600	1,541	35,115	652
2010 (estimated)	3,580	33,200	1,521	36,080	600

(1) The actual and the estimated population statistics exclude 695 forensic beds and 538 children’s beds. Figures beginning in 2007 also exclude individuals who are civilly committed to sexual offender treatment programs. 100 beds for adult individuals with forensic or dangerous histories known as the Manhattan STAIR Unit are included in the actual and estimated population.

(2) Includes both licensed and unlicensed programs.

(3) Beginning in 2003, approximately 4,000 consumers in OMRDD’s Family Care Program ceased to be categorized as Community residences.

Income Available for Prior Authority Annual Payments and Annual Payments

Under applicable State statutes, the Authority is required to establish and maintain with the Commissioner of Taxation and Finance, as agent of the Authority, the Mental Hygiene Facilities Improvement Fund Income Account. The Authority is required to deposit therein or have credited thereto all payments made for the care, maintenance, and treatment of patients in every mental hygiene facility now or hereafter under the possession, jurisdiction, supervision and control of the Authority, all income from investments and all moneys received or to be received for the purposes of the Mental Hygiene Facilities Improvement Fund Income Account on a recurring basis. Following deposit of receipts in the Mental Hygiene Facilities Improvement Fund Income Account, amounts therein are transferred to the Services Fund pursuant to State law.

Substantially all of the Medicaid receipts shown below represent the Federal share thereof. The Federal government traditionally pays 50% under Medicaid and 100% under Medicare of allowable costs of covered services to eligible patients. The State share of Medicaid which is used for inpatient services is not available for the payment of Annual Payments and therefore is not reflected in the following tables.

The following table shows the amounts received in the Mental Hygiene Facilities Improvement Fund Income Account (not including Voluntary Agency Payments) and transferred to the Services Fund and that were available for (i) Prior Agency Annual Payments with respect to the Prior Agency Bonds (none of which Prior Agency Bonds remain outstanding as of the date of this Remarketing Circular), Prior Authority Annual Payments with respect to the Prior Authority Bonds, and Annual Payments with respect to the Bonds, and (ii) annual debt service for the Prior Agency Bonds, the Prior Authority Bonds and the Bonds, for State Fiscal Years 1999-00 through 2008-09 inclusive.

Historical Receipts Available for Prior Agency Annual Payments, Prior Authority Annual Payments and Annual Payments, and Annual Debt Service for Prior Agency Bonds, Prior Authority Bonds and Bonds (Millions)

	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Medicaid	\$1,801.67	\$1,879.08	\$1,934.42	\$2,179.95	\$2,356.53	\$2,397.50	\$2,629.48	\$2,569.14	\$2,762.83	\$3,083.85
Medicare	72.43	45.95	40.52	57.37	66.86	54.81	32.42	78.97	49.81	53.57
Other	<u>118.32</u>	<u>192.06</u>	<u>103.97</u>	<u>101.25</u>	<u>119.49</u>	<u>101.52</u>	<u>95.52</u>	<u>125.18</u>	<u>129.35</u>	<u>158.53</u>
Total	<u>\$1,992.42</u>	<u>\$2,117.09</u>	<u>\$2,078.91</u>	<u>\$2,338.57</u>	<u>\$2,542.88</u>	<u>\$2,553.83</u>	<u>\$2,757.42</u>	<u>\$2,773.29</u>	<u>\$2,941.99</u>	<u>\$3,295.95</u>
Annual Debt Service*	\$ 323.23	\$ 320.93	\$ 316.83	\$ 309.17	\$ 151.75	\$ 220.45	\$ 285.42	\$ 293.70	\$ 268.65	\$ 204.33
Debt Service Coverage	6.16	6.60	6.56	7.56	16.76	11.58	9.66	9.44	10.95	16.13

* Does not include swap receipts.

The following table prepared by OMRDD, OMH and OASAS, in consultation with the State Division of the Budget, is based upon the 2009-10 Enacted Budget, and shows the projected receipts available for payment of annual debt service for the Prior Authority Bonds and the Bonds. This table also includes projected annual debt service for the Prior Authority Bonds and the Bonds.

**Projected Receipts Available for Prior Authority
Annual Payments and Annual Payments and Annual Debt Service for
the Prior Authority Bonds and the Bonds**

**Department of Mental Hygiene
5 Year Revenue Projections
(Millions)**

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
OMRDD					
Medicaid	\$2,958.53	\$2,914.03	\$2,442.33	\$2,412.63	\$2,412.63
Medicare	0.10	0.10	0.10	0.10	0.10
Other	<u>64.56</u>	<u>64.56</u>	<u>64.56</u>	<u>64.56</u>	<u>64.56</u>
Subtotal	\$3,023.19	\$2,978.69	\$2,506.99	\$2,477.29	\$2,477.29
OMH					
Medicaid	\$ 587.48	\$ 584.48	\$ 544.48	\$ 544.48	\$ 544.48
Medicare	62.89	62.89	62.89	62.89	62.89
Other	<u>101.15</u>	<u>101.15</u>	<u>101.15</u>	<u>101.15</u>	<u>101.15</u>
Subtotal	\$ 751.52	\$ 748.52	\$ 708.52	\$ 708.52	\$ 708.52
OASAS					
Other	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>	<u>\$ 14.00</u>
Subtotal	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00
Other Receipts	<u>\$ 2.70</u>	<u>\$ 2.70</u>	<u>\$ 2.70</u>	<u>\$ 2.70</u>	<u>\$ 2.70</u>
Gross Receipts	<u>\$3,791.51</u>	<u>\$3,743.91</u>	<u>\$3,232.21</u>	<u>\$3,202.51</u>	<u>\$3,202.51</u>
Annual Debt Service*	\$ 349.24	\$ 284.83	\$ 336.51	\$ 280.27	\$ 329.80
Debt Service Coverage*	10.86	13.14	9.61	11.43	9.71

* Includes debt service on Prior Authority Bonds and Bonds but does not include debt service on any Bonds that may be issued subsequent to the date of this Remarketing Circular although the 2009-10 Enacted Budget projects the average issuance of approximately \$600 million of Bonds annually through fiscal year 2013-14 to finance State Facilities and Voluntary Agency Facilities.

Factors Affecting Revenue Projections

As with any long-term projection, the level of revenue expected to be received by the Department in the above projections is dependent on many factors. Among these are patient and client census, the certification status of facilities as participants in the Medicare and Medicaid programs, and Federal and State reimbursement policies. A change in any of these factors can affect the revenues to be deposited in the Services Fund.

Census - Both total census and the proportion of patients who are Medicaid- or Medicare-eligible or can otherwise pay for their care are subject to change and therefore affect total revenue. Of particular significance is that over three quarters of OMH revenue is received through the Medicaid program, which does not provide reimbursement of inpatient costs for individuals from the ages of 21 through 64. To the extent the projection of total census or of the proportion of the population eligible for Medicaid is incorrect, revenue may be above or below projected levels. Assumptions regarding the percent of the age-eligible population that will in fact meet billing criteria are also a factor. The Department considers census assumptions for the 2009-10 through 2013-14 forecast years to be relatively conservative.

No age limitations are imposed on OMRDD Medicaid eligibility, and substantially all consumers are in fact Medicaid-eligible.

Certification - Department facilities are periodically reviewed by Federal surveyors to determine continued eligibility as certified Medicaid or Medicare service providers. The revenue projections shown above may be overstated to the extent that any facility loses certification. Substantial State investment is made to retain certification at all facilities. All OMRDD developmental centers, OMH psychiatric centers and OASAS ATCs are

currently certified by appropriate Federal and State regulatory agencies. However, it should be noted that the result of a recent survey conducted by federal authorities advised OMH/Kingsboro Psychiatric Center (KPC) that Medicaid and Medicare payments to the facility would cease August 9, 2009 if an acceptable Plan of Corrective Action (POCA) were not submitted by May 21, 2009 to address deficiencies in meeting two conditions of participation in those programs. KPC submitted a POCA on time and has been implementing the plan. OMH expects that the POCA will ultimately be approved by the federal government and that KPC will remain eligible for reimbursement as a certified Medicaid/Medicare provider. However, even if the POCA were not approved and KPC were to be decertified, the resulting loss of federal revenue, which is expected to be less than \$6 million, would not materially affect the State's ability to make required Prior Authority Annual Payments and Annual Payments.

Federal efforts begun in 1985 to control Medicare expenditures through Peer Review Organizations (PROs) have recently focused on general hospitals. However, there is a potential that specialty hospitals will be more closely reviewed in the future. Were this to occur, there is some potential for revenue impact. To date, less than 5 percent of cases reviewed have led to disallowances, and all the disallowances have been appealed.

Other - In addition to these specific factors, all claims are subject to audit and review by the Federal government and have on occasion resulted in disallowances. The potential for future disallowances remains but is not subject to forecast.

Over the last several years, various Federal legislative initiatives have been proposed to reduce the growth in Federal Medicaid and Medicare spending. The current Federal budget establishes limits on the amount of Federal disproportionate share payments made to mental hygiene facilities. The Department's Medicaid revenue projections largely reflect these changes and continued claiming under a fee-for-service Medicaid program utilizing trend factors, volume adjustments, capitated payments and other traditional or new rate methodologies. The Department anticipates some decline in revenues due to several factors including continued census decline, changes in capitated program initiatives and lower spending on State institutions. The forecast presented above reflects these factors, and the Department believes that such decline will not materially affect the State's ability to make required Prior Authority Annual Payments and Annual Payments.

Despite the potential influences on projected revenues described herein, the State believes that the forecast presented above is reasonable.

Disposition of Facilities

In the past, the State has closed a number of mental hygiene services facilities, some of which have been sold. The proceeds from the sale of such facilities have been used to redeem and/or defease certain Prior Agency Bonds and Prior Authority Bonds or deposited into the Services Fund. Certain other closed facilities are being offered for sale but are not yet under contract. If and when such sales occur, the proceeds from the sales will be used to redeem and/or defease certain Prior Authority Bonds or deposited into the Services Fund. Negotiations for contracts of sale are taking place for certain other closed mental hygiene services facilities. It is possible that such facilities will be sold or conveyed to entities other than the Authority or the Department. Any such sale or conveyance would be required to comply with the provisions of the related agreements and the Prior Authority Resolution and related agreements, as applicable, including any applicable covenants as to preserving the tax-exempt status of the Prior Authority Bonds. Additional Prior Authority Bonds may be redeemed and/or defeased as a result of such sale or conveyance.

State Appropriations

The successful maintenance and operation of the Department, the payment of the Prior Authority Annual Payments and the Annual Payments and the marketability of the Bonds are dependent upon the ability and willingness of the State Legislature to continue making appropriations in the amounts required for both the operation of the Department and the payment of the Prior Authority Annual Payments and the Annual Payments. There can be no assurance, however, that State appropriations of funds will be available in the amounts contemplated or required by the Department.

The costs of operating each of the offices of the Department are met principally out of appropriations made by the State Legislature from the State's General Fund and out of moneys deposited in the Services Fund which are not required for the payment of Prior Authority Annual Payments and Annual Payments and are therefore released from the lien of the pledge and assignment to the Authority.* These excess funds are transferred to a special operating account (called the Mental Hygiene Patient Income Account) for OMH, OMRDD and OASAS.

The appropriations made by the State Legislature from the General Fund for the operations of OMH, OMRDD and OASAS for the State Fiscal Years 2000-01 through 2009-10 are as follows:

<u>Fiscal Year</u>	<u>OMH</u>	<u>OMRDD</u>	<u>OASAS</u>	<u>Total</u>
2000-01	\$536,537,000	\$131,455,000	\$45,243,000	\$713,235,000
2001-02	717,059,000	119,658,000	45,734,000	882,451,000
2002-03	667,599,500	168,994,000	49,290,000	885,883,500
2003-04	520,940,000	168,341,000	48,670,000	737,951,000
2004-05	603,915,000	134,012,000	46,783,000	784,710,000
2005-06	586,610,000	502,621,000	46,681,000	1,135,912,000
2006-07	772,557,000	530,123,000	52,721,000	1,355,401,000
2007-08	754,655,000	472,028,000	60,543,000	1,287,226,000
2008-09*	1,107,057,000	375,600,000	72,707,000	1,555,364,000
2009-10	1,045,439,000	523,630,000	75,542,000	1,644,611,000

* Beginning in 2008-09, the General Fund is replaced by the Special Revenue Fund, Mental Hygiene Program Fund Account. In addition, all DMH fringe benefit costs are budgeted within each agency instead of in a central appropriation. Appropriated amounts in the Special Revenue Fund, Mental Hygiene Program Fund Account are funded by the General Fund.

The appropriations made by the State Legislature from the Mental Hygiene Patient Income Account for the operations of OMH, OMRDD and OASAS for the State Fiscal Years 2000-01 through 2009-10 are as follows:

<u>Fiscal Year</u>	<u>OMH</u>	<u>OMRDD</u>	<u>OASAS</u>	<u>Total</u>
2000-01	\$494,540,000	\$1,343,807,000	\$16,050,000	\$1,854,397,000
2001-02	378,100,000	1,425,549,000	16,700,000	1,820,349,000
2002-03	458,528,000	1,616,174,000	17,830,000	2,092,532,000
2003-04	553,931,000	1,733,643,000	20,190,000	2,307,764,000
2004-05	484,730,000	1,851,300,000	22,100,000	2,358,130,000
2005-06	575,601,000	1,950,095,000	23,500,000	2,549,196,000
2006-07	487,881,000	2,020,765,000	21,500,000	2,530,146,000
2007-08	543,167,000	2,086,250,000	21,500,000	2,650,917,000
2008-09	806,728,000	2,067,814,000	31,295,000	2,905,837,000
2009-10	978,601,000	1,955,079,000	22,200,000	2,955,880,000

Litigation Affecting the Department

The Department at any given time is involved in a number of legal actions and proceedings. The greater number involve special proceedings seeking the reversal of various administrative determinations. A number of cases are pending against the State in the Court of Claims seeking damages in tort or under contracts involving the Department. Another area involves claims alleging deprivation of a patient's Federal constitutional rights by employees of the Department pursuant to 42 U.S.C. Section 1983 and the Civil Rights of Institutionalized Persons Act. Upon the basis of information presently available, the Department believes that there are substantial defenses in connection with said disputes. The Department further believes that, in any event, its ultimate liability, if any, resulting from such disputes should not materially affect its financial position; should be satisfied from moneys

* See footnote on page 8. Amounts retained in the Services Fund with respect to debt service payments on MH PIT Bonds (and subsequently transferred to the Revenue Bond Tax Fund) are not available to be transferred to the hereinafter referred to Mental Hygiene Patient Income Account.

available to the Department from State appropriations and insurance funds; and should in no way affect the Department's obligations or its ability to carry out its obligations under the provisions of the Financing Agreements.

PART 7 - THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services ("BOCES"), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the "Consolidation Act") succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the "Agency") and the Facilities Development Corporation (the "Corporation"), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)

At March 31, 2009, the Authority had approximately \$37.9 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at March 31, 2009 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	\$ 2,250,196,000	\$ 974,760,000	\$ 0	\$ 974,760,000
State University of New York Educational and Athletic Facilities	12,287,697,999	5,284,232,634	0	5,284,232,634
Upstate Community Colleges of the State University of New York.....	1,431,000,000	604,840,000	0	604,840,000
Senior Colleges of the City University of New York	9,663,821,762	2,934,864,213	0	2,934,864,213
Community Colleges of the City University of New York	2,364,178,350	508,140,787	0	508,140,787
BOCES and School Districts.....	2,000,366,208	1,488,605,000	0	1,488,605,000
Judicial Facilities.....	2,161,277,717	731,557,717	0	731,557,717
New York State Departments of Health and Education and Other	5,198,240,000	3,551,125,000	0	3,551,125,000
Mental Health Services Facilities	6,811,595,000	3,676,845,000	0	3,676,845,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	<u>985,555,000</u>	<u>782,980,000</u>	<u>0</u>	<u>782,980,000</u>
Total Public Programs.....	\$ <u>45,927,403,036</u>	\$ <u>20,537,950,351</u>	\$ <u>0</u>	\$ <u>20,537,950,351</u>
Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	\$ 16,855,471,020	\$ 8,270,366,644	\$ 191,005,000	\$ 8,461,371,644
Voluntary Non-Profit Hospitals	13,459,114,309	7,866,030,000	0	7,866,030,000
Facilities for the Aged.....	1,996,020,000	1,002,860,000	0	1,002,860,000
Supplemental Higher Education Loan Financing Program	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Public Programs.....	\$ <u>32,405,605,329</u>	\$ <u>17,139,256,644</u>	\$ <u>191,005,000</u>	\$ <u>17,330,261,644</u>
GRAND TOTAL BONDS AND NOTES	\$ <u>78,333,008,365</u>	\$ <u>37,677,206,995</u>	\$ <u>191,005,000</u>	\$ <u>37,868,211,995</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2009, the Agency had approximately \$370.4 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at March 31, 2009 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities	<u>\$ 3,817,230,725</u>	<u>\$ _____ 0</u>
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program	\$ 226,230,000	\$ 3,255,000
Insured Mortgage Programs	6,625,079,927	359,484,720
Revenue Bonds, Secured Loan and Other Programs	<u>2,414,240,000</u>	<u>7,670,000</u>
Total Non-Public Programs	<u>\$ 9,265,549,927</u>	<u>\$370,409,720</u>
TOTAL MCFFA OUTSTANDING DEBT	<u>\$13,082,780,652</u>	<u>\$370,409,720</u>

Governance

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

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

The current members of the Authority are as follows:

ALFONSO L. CARNEY, Jr., Esquire, *Chair*, New York.

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum

of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2010.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is an Executive Vice President and the Chief Financial Officer of Earl G. Graves, Ltd., a multi-media company that includes Black Enterprise magazine. He is also a member of the Investment Advisory Committee of the New York Common Retirement Fund. Mr. Jiha has previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller and as Co-Executive Director of the New York Local Government Assistance Corporation (LGAC). Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Mr. Jiha has served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2010.

BRIAN RUDER, Scarsdale.

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

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo

Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Ronski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Ronski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Ronski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

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

CAROLE F. HUXLEY, *Interim Commissioner of Education of the State of New York*, Albany; *ex-officio*.

Carole Huxley was appointed Interim Education Commissioner on July 1, 2009. Ms. Huxley retired in November 2006 after serving for 24 years as Deputy Commissioner for Cultural Education in the New York State Education Department where she was responsible for the New York State Archives, State Library, State Museum and aid to libraries, records repositories and public broadcasting statewide. She came to New York from the National Endowment for Humanities in Washington, DC where she was Director of the Division of Special Programs. Prior to this, Ms. Huxley was with the American Field Service (AFS International) in New York City.

She began her career in education teaching high school English in Woodbury, Connecticut. Ms. Huxley holds a Masters of Arts in Teaching from Harvard University and a Bachelor of Arts degree from Mount Holyoke College.

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

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

ROBERT L. MEGNA, *Budget Director of the State of New York*, Albany; *ex-officio*.

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the Executive Director and chief administrative and operating officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing

disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

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

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2009. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 8 - LEGALITY OF THE REOFFERED BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Reoffered Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

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

PART 9 - NEGOTIABLE INSTRUMENTS

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

PART 10 - TAX EXEMPTION

Opinion of Bond Counsel

On July 15, 2003, in connection with the original issuance of the Reoffered Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, rendered its opinion that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Reoffered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code

of 1986, as amended (the “Code”), and (ii) interest on the Reoffered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel had relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and the Department, and Bond Counsel to the Authority had assumed compliance by the Authority and the Department with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Reoffered Bonds from gross income under Section 103 of the Code.

The form of Bond Counsel’s original opinion in connection with the original issuance of the Reoffered Bonds is attached hereto as part of Appendix E.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, to be rendered on the Substitution Date, the substitution of the Initial Facilities with the Letters of Credit, in and of itself, will not impair the exclusion of interest from gross income for Federal income tax purposes under Section 103 of the Code on any Reoffered Bonds, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code. In rendering its opinion, Bond Counsel to the Authority will rely on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and others.

The form of Bond Counsel’s opinions to be delivered on the Substitution Date is attached hereto as part of Appendix E. The opinions expressed in Bond Counsel’s opinion set forth in Appendix E are limited to the substitution of the Initial Facilities on July 13, 2009 and do not extend to any other event or matter occurring subsequent to the delivery of its opinion in connection with the original issuance of the Reoffered Bonds. Bond Counsel has not been asked to, and does not, express any opinion as to whether interest on the Reoffered Bonds is currently excludable from gross income for Federal income tax purposes.

Bond Counsel to the Authority will give its opinion with respect to the substitution of the Initial Facilities as of the Substitution Date and will assume no obligation to update, revise or supplement the opinion to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the Authority will express no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Reoffered Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Reoffered Bonds in order that interest on the Reoffered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Reoffered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Reoffered Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Department have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Reoffered Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Reoffered Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of an Reoffered Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Reoffered Bonds.

Prospective owners of the Reoffered Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance

companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on Reoffered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Reoffered Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Reoffered Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Reoffered Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Reoffered Bonds under Federal or state law and could affect the market price or marketability of the Reoffered Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Reoffered Bonds, will not have an adverse effect on the tax exempt status, market price or marketability of the Reoffered Bonds.

Prospective purchasers of the Reoffered Bonds should consult their own tax advisors regarding the foregoing matters.

PART 11 - STATE NOT LIABLE ON THE REOFFERED BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Reoffered Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 - COVENANT BY THE STATE

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

PART 13 - LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Reoffered Bonds by the Authority were subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, which delivered its approving opinion in connection with the original issuance of the Reoffered Bonds on July 15, 2003 (a copy of which is attached as part of Appendix E hereto). The remarketing of the Reoffered Bonds is subject to the delivery by Bond Counsel on the Substitution Date of its opinion to be substantially in the form attached as part of Appendix E hereto.

Certain legal matters will be passed upon for the Remarketing Agent by its Co-Counsel, Marous & Marous, P.C., New York, New York and Trespasz & Marquardt, LLP, Syracuse, New York, New York. Certain legal matters will be passed upon for the Bank by its Counsel, Chapman and Cutler LLP, Chicago, Illinois and Ogilvy Renault LLP, Toronto, Ontario.

There is not now pending any litigation restraining or enjoining the issuance, remarketing or delivery of the Reoffered Bonds or questioning or affecting the validity of the Reoffered Bonds or the proceedings and authority under which they were issued. There is no litigation pending which in any manner questions the right of the Authority to finance the State Facilities or the Voluntary Agency Facilities in accordance with the provisions of the Act, the Resolutions and the Financing Agreements.

PART 14 – RATINGS

S&P Ratings: It is expected that upon the substitution of the Initial Facilities with the Letters of Credit, the Reoffered Bonds will be assigned a long-term rating of “AAA” and a short-term rating of A-1+ by Standard & Poor’s Ratings Services (S&P). The ratings are based upon the credit of the Bank and the underlying credit quality of the Reoffered Bonds.

Fitch Ratings: The Authority has made an application to Fitch, Inc. (“Fitch”) for a rating on the Reoffered Bonds based upon the credit of the Bank and the underlying credit quality of the Reoffered Bonds to be effective upon the substitution of the Initial Facilities with the Letters of Credit. As of the date of this Remarketing Circular, the Bank has been assigned ratings of “AA/F-1+” and the Reoffered Bonds have been assigned a long-term rating of “A+” by Fitch.

The long-term rating to be assigned to the Reoffered Bonds upon the substitution of the Initial Facilities with the Letters of Credit will be based on Fitch's dual party pay methodology which considers the likelihood of the failure of both a rated obligor and a bank letter of credit provider. The methodology results in a rating that is up to two notches higher than the stronger of the two credits if the following conditions are met: (1) both entities have a rating of 'A' or higher; (2) the transaction is structured such that payments from both the issuer and the bank are in the flow of funds and both entities would have to fail to perform before the bonds defaulted; and (3) the credit of the bank and the rated obligor have no more than a medium degree of correlation. If either the underlying rating assigned to the bonds or the bank were downgraded to 'A-' or lower, this methodology could no longer be applied, and the long-term rating for the bonds would then be adjusted to the higher of the bank rating and the underlying bond rating. The short-term rating to be assigned will be based solely on the letter of credit.

An explanation of the significance of the above ratings should be obtained from the rating agency furnishing the same. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by the respective rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Reoffered Bonds.

PART 15 - REMARKETING

RBC Capital Markets Corporation, as Remarketing Agent for the Reoffered Bonds, has agreed, subject to certain conditions, to purchase the Reoffered Bonds to be tendered on July 13, 2009 at a purchase price of par and to remarket the Reoffered Bonds at par. The Remarketing Agent will be obligated to purchase all such Reoffered

Bonds tendered on July 13, 2009. In connection with the reoffering of the Reoffered Bonds, the Remarketing Agent will be paid a fee of \$149,700 for its services plus certain expenses.

RBC Capital Markets Corporation is an indirect wholly-owned subsidiary of Royal Bank of Canada, the provider of the Letters of Credit.

PART 16 - CONTINUING DISCLOSURE

For the purpose of compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended (“Rule 15c2-12”), in connection with the original issuance of the Reoffered Bonds, the Authority, the State and the Trustee entered into a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the holders of the Reoffered Bonds to provide continuing disclosure. The State has undertaken for the benefit of the holders of the Reoffered Bonds to provide each Nationally Recognized Municipal Securities Information Repository (each a “Repository”), and if and when one is established, the New York State information depository (the “State Information Depository”), on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2003, (i) financial information and operating data relating to the State of the type included in the Annual Information Statement of the State set forth in Appendix B to this Remarketing Circular and (ii) financial information and operating data relating to the State and the Department, both as described in more detail below and collectively referred to herein as the “Annual Information”. The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) 120 days after the close of the State fiscal year, and the State will undertake to provide the State’s annual financial statements, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in “Government Auditing Standards” issued by the Comptroller General of the United States, to each Repository and to the State Information Depository, if and when such statements are available. In addition, the Authority will undertake, for the benefit of the holders of the Reoffered Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board (the “MSRB”), and to the State Information Depository, in a timely manner, the notices described below (the “Notices”).

The Annual Information shall consist of (a) financial information and operating data of the type included in this Remarketing Circular under the headings “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE BONDS - Outstanding Indebtedness,” “PART 5 - SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS,” and “PART 6 - THE DEPARTMENT,” including information relating to (1) population statistics for residential programs of OMH, OMRDD and OASAS, (2) income available for Prior Agency Annual Payments, Prior Authority Annual Payments and Annual Payments, and (3) State appropriations (unless, with respect to items (1) through (3) just described, the source of revenue for the payment of the Reoffered Bonds has been materially changed or modified, in which case the Annual Information will include similar information regarding such new or modified source of revenue, whether on an actual historical basis, a pro forma basis, or otherwise); (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix B hereto under the headings or sub headings “Prior Fiscal Years,” “Debt and Other Financing Activities,” “State Government Employment,” “State Retirement Systems,” and “Authorities and Localities,” including, more specifically, information consisting of (1) for prior fiscal years, an analysis of cash basis results for the State’s three most recent fiscal years, and a presentation of the State’s results in accordance with GAAP for at least the two most recent fiscal years for which that information is then currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning the Department and the State and sources of revenue for the Mental Health Services Fund and in judging the financial condition about the State.

The Notices include notices of any of the following events with respect to the Reoffered Bonds, if material: (a) principal and interest payment delinquencies; (b) non payment related defaults; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions or events affecting the tax exempt status of the securities; (g) modifications to the rights of security holders; (h) bond calls; (i) defeasances; (j) release, substitution, or sale of property securing repayment of the securities; and (k) rating changes. In addition, the Authority has undertaken, for the benefit of the holders of the Reoffered Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The Securities and Exchange Commission recently adopted certain amendments to Rule 15c2-12, which amendments became effective on July 1, 2009. Pursuant to such amendments, the Annual Information and the Notices will be required to be filed with the MSRB and its Electronic Municipal Market Access system for municipal securities disclosures instead of with each Repository and the State Information Depository.

The sole and exclusive remedy for breach under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Authority, and no person, including any holder of the Reoffered Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by any owner of Outstanding Reoffered Bonds or by the Trustee on behalf of the owners of Outstanding Reoffered Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Reoffered Bonds; *provided, however*, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of Reoffered Bonds at the time Outstanding. A breach under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution or any other agreement delivered in connection with the issuance of the Reoffered Bonds. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without the consent of the owners of the Reoffered Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement are on file at the principal office of the Authority.

PART 17 - MISCELLANEOUS

Reference in this Remarketing Circular to the Act, the Resolutions, the Financing Agreements and the Pledge and Assignment do not purport to be complete. Refer to the Act, the Resolutions, the Financing Agreements and the Pledge and Assignment for full and complete details of their provisions. Copies of the Resolutions, the Financing Agreements and the Pledge and Assignment are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Reoffered Bonds are fully set forth in the Resolutions. Neither any advertisement of the Reoffered Bonds nor this Remarketing Circular is to be construed as a contract with purchasers of the Reoffered Bonds.

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

The Authority's use of certain information concerning the Department, the State and the Bank included in this Remarketing Circular has been furnished or reviewed and authorized by the sources described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of remarketing of the Reoffered Bonds, as to the accuracy of such information provided or authorized by it.

The Department. The Department provided certain of the information contained in this Remarketing Circular regarding the Department, including the information in "PART 6 - THE DEPARTMENT."

Certain officers of the Department have been authorized by the Department to include the information about the Department in this Remarketing Circular and are to certify to the Authority that the statements of material fact concerning the Department contained in the Remarketing Circular are true and correct and do not fail to state any material fact necessary in order to make the statements of fact made therein, in the light of the circumstances under which they were made, not misleading.

The State. The State provided the information relating to the State in "Appendix B - Information Concerning the State of New York."

The Director of the Budget of the State of New York will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information, as of the date of the Remarketing Circular and the date of the delivery of the Reoffered Bonds, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in the light of the circumstances under which they were made, not misleading; *provided, however*, that while the statements and information contained in Appendix B to the Remarketing Circular which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and, as of the date of the Remarketing Circular and the delivery of the Reoffered Bonds, he has no reason to believe, and does not believe, that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in the light of the circumstances under which they were made, not misleading; *provided further, however*, that with regard to the statements and information in Appendix B hereto under the caption "Litigation" such statements and information are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation.

The State Department of Audit and Control has informed the Authority that it has reviewed the historical and financial information with respect to the State contained in Appendix B hereto, but since bonds of the Authority are not a direct obligation of the State, the Comptroller, the chief auditor and fiscal officer of the State, will not certify to such information contained in Appendix B hereto.

The Bank. The Bank provided the information relating to the Bank in "Appendix F – Information Concerning the Bank."

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Financing Agreements," "Appendix D - Summary of Certain Provisions of the Resolutions," and "Appendix E –Opinions of Bond Counsel" have been prepared by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority.

The execution and delivery of this Remarketing Circular by an Authorized Officer have been duly authorized by the Authority.

**DORMITORY AUTHORITY OF
THE STATE OF NEW YORK**

By: /s/ Paul T. Williams, Jr.
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

CERTAIN DEFINITIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution or the Agreement and used in this Official Statement:

“Accreted Value” means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or a Series Certificate and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

“Act” means, collectively, the Dormitory Authority Act, the Agency Act, and the Health Care Financing Consolidation Act.

“Agency” means the New York State Medical Care Facilities Finance Agency, the corporate governmental agency created by the Agency Act, the corporate existence of which has been continued in and through the Authority and the powers, duties and functions of which the Authority has succeeded pursuant to the Health Care Financing Consolidation Act.

“Agency Act” means the New York State Medical Care Facilities Finance Agency Act, being Chapter 392 of the Laws of New York 1973, as amended, McKinney’s Unconsolidated Laws, Sections 7411 to 7432, inclusive, as amended.

“Agreement” means, (i) when used with respect to the Resolution, collectively, the Financing Agreement (State Project), the Financing Agreement (Voluntary Agency Project) and any Other Agreement entered into by the Authority and the Department with respect to any Other Project, or singularly, any one of such agreements, as the context may require; (ii) when used with respect to the Financing Agreement (State Project), the Financing Agreement State Project; and (ii) when used with respect to the Financing Agreement (Voluntary Agency Project), the Financing Agreement (Voluntary Agency Project).

“Alternate Credit Facility” means a Credit Facility that is issued in substitution for a then-existing Credit Facility in accordance with, and pursuant to, the Series 2003D-2 Certificate, as the same may be amended or supplemented from time to time.

“Alternate Liquidity Facility” means a Liquidity Facility that is issued in substitution for a then existing Liquidity Facility in accordance with, and pursuant to, the Series 2003D-2 Certificate, as the same may be amended or supplemented from time to time.

“Annual Administrative Fee” means, collectively, a fee payable during each Bond Year as set forth in each Supplemental Financing Agreement for (i) a portion of the general administrative and overhead expenses of the Authority allocated in accordance with a formula established by the Authority to the services performed by the Authority in the financing and refinancing of or the design, construction, acquisition, reconstruction, rehabilitation, improvement or equipping of Facilities and matters related thereto; and (ii) the costs, expenses and charges incurred by the Authority pursuant to law or otherwise in carrying out its duties under the Resolution and the Agreement, or in enforcing the Agreement or as a consequence of Bonds remaining Outstanding, including, without limitation, accounting, auditing, financial advisory and legal expenses incurred by the Authority, and the fees and expenses of any Facility Provider, the Trustee, any Paying Agent or other fiduciary acting under the Resolution.

“Annual Expenditures” means the Annual Expenditures due and payable for and computed in accordance with the provisions of the Financing Agreement (State Project), the provisions of the Financing Agreement (Voluntary Agency Project) and such provisions as shall be contained in any Other Agreement.

Appendix A

“*Annual Payments*” means the Annual Payments due and payable as provided for and computed in accordance with the provisions of the Financing Agreement (State Project), the provisions of the Financing Agreement (Voluntary Agency Project) and such provisions as shall be contained in any Other Agreement.

“*Appreciated Value*” means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or a Series Certificate, and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

“*Arbitrage Rebate Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Authority*” means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Authority.

“*Authorized Denominations*” means with respect to Bonds of a Series or Subseries a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, provided, however, that if as a result of the change in the Mode of the Bonds of a Series or Subseries from a Daily Mode or Weekly Mode, it is not possible to deliver all the Bonds of a Series or Subseries required or permitted to be Outstanding in a denomination permitted above, Bonds of a Series or Subseries may be delivered, to the extent necessary, in different denominations.

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

“*Authorized Officer*” means (i) in the case of the Authority, the Chairman, the Vice-Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance, the Managing Director of Construction, the Managing Director of Policy and Program Development, and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Department, the Commissioner, Executive Deputy Commissioner, First Deputy Commissioner or Deputy Commissioner of each office within the Department; and (iii) in the case of the Trustee, the President, Vice President, Corporate Trust Officer, Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to resolution or bylaws of the Board of Directors of the Trustee.

“*Bank Bond*” means any Bond of a Series or Subseries during any period commencing on the day such Bond is owned by or held on behalf of the Liquidity Facility Provider or its permitted assignee as a result of such Bond having been purchased pursuant to the Resolutions from the proceeds of a draw under the Liquidity Facility and ending when such Bond is, pursuant to the provisions of the Liquidity Facility, no longer deemed to be a Bank Bond.

“*Bond*” or “*Bonds*” means any of the bonds of the Authority authorized and issued pursuant to the Resolution or a Series Resolution.

“*Bond Counsel*” means an attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

“*Bond Year*” means a period of twelve (12) consecutive months beginning February 15 in any calendar year and ending on February 14 of the succeeding calendar year.

“*Book Entry Bond*” means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof.

“*Business Day*” means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York, and when used with respect to the Series 2003D-2 Certificate, shall also mean a day on which the Trustee, the Tender Agent, the Remarketing Agent, the Credit Facility Provider, if any, or the Liquidity Facility Provider are authorized or required to remain closed, or a day on which the New York Stock Exchange is closed.

“*Capital Appreciation Bond*” means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“*Commissioner*” means the Commissioner of Taxation and Finance of the State.

“*Comptroller*” means the Comptroller of the State.

“*Construction Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Conversion*” means (i) a change in the Mode of a Bond of a Series or Subseries made in accordance with the Series 2003D-2 Certificate.

“*Conversion Date*” means, with respect to Bonds of a Series or Subseries, the date one Mode terminates and another Mode begins.

“*Corporation*” means the Facilities Development Corporation, a corporate governmental agency constituting a public benefit corporation created pursuant to the Facilities Development Corporation Act, the corporate existence of which has been continued in and through the Authority and the powers, duties and functions of which the Authority has succeeded pursuant to the Health Care Financing Consolidation Act.

“*Cost of the Project*” or “*Costs of the Project*” means, with respect to a Project, the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with such Project and each Facility comprising such Project that are not otherwise included in the Annual Administrative Fee, such costs and expenses to include, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a Facility comprising such Project, (iii) the cost of surety bonds, indemnity and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of a Facility comprising a part of such Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Facility comprising a part of such Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery in a Facility comprising a part of such Project, (vi) all costs which the Authority, the Department, a Voluntary Agency or other qualified person shall be required to pay for or in connection with additions to, or the alterations, expansions, reconstruction, rehabilitation, repair, and equipping of a Facility comprising a part of such Project, (vii) any sums required to reimburse the State, or any agency, instrumentality or officer thereof, the Department, the Authority, a Voluntary Agency or other qualified person for advances made by

any of them for any of the above items or for other costs incurred and for work done by any of them in connection with a Facility comprising a part of such Project (including interest on moneys borrowed to temporarily finance the payment of any item or terms of Costs of the Project), (viii) interest on the Bonds prior to, during and for a reasonable period after construction of a Facility comprising a part of such Project is complete and such Facility is available for occupancy or use, (ix) the payment of any notes of the Authority (including any interest thereon and redemption premium thereof) issued to temporarily finance the payment of any item or items of Cost of the Project with respect to a Facility comprising a part of such Project, (x) fees, expenses and liabilities of the Authority incurred in connection with a Facility comprising a part of such Project or pursuant to the Resolution or to the applicable Agreement, (xi) any bond discount, including underwriters' discount, with respect to the Bonds, and (xii) any other proper item of cost and expense not specifically mentioned herein as may be provided in a Supplemental Financing Agreement.

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

"Credit Facility" means (i) with respect to the Resolution, any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Authority and is issued by a financial institution, insurance provider or other person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations, and (ii) with respect to the Series 2003D-2 Certificate, a Credit Facility (as defined in the Resolution but excluding any Liquidity Facility) which is obtained by the Authority pursuant to the Series 2003D-2 Certificate and that provides (to the extent and subject to the terms and conditions set forth therein) for the payment of principal of and interest on the Bonds of a Series or Subseries becoming due and payable during the term thereof, as the same may be amended or supplemented from time to time.

"Close of Business" means the close of business of DTC as the same may be amended from time to time.

"Daily Mode" means the mode during which Bonds of a Series or Subseries bear interest at a Daily Rate.

"Daily Rate" means an interest rate determined for Bonds in a Daily Mode pursuant to the Series 2003D-2 Certificate.

"Daily Rate Period" means with respect to Bonds of a Series or Subseries in the Daily Mode, the period from and including the Closing Date (if initially issued in the Daily Mode) or the Conversion Date that Bonds of such Series or Subseries began to bear interest at the Daily Rate to and excluding the next Business Day, and thereafter commencing on each Business Day to and excluding the next Business Day

"Debt Service Account" means the account in the Revenue Fund so designated, created and established pursuant to the Resolution.

"Defeasance Security" means any of the following:

(a) a Government Obligation of the type described in clauses (a), (b), (c) or (d) of the definition of Government Obligations;

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

(c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least two nationally recognized statistical rating services in the highest rating category;

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

“*Deferred Income Bond*” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on August 15 and February 15 of each Bond Year.

“*Department*” means the Department of Mental Hygiene, a department of State government established pursuant to the Mental Hygiene Law, being Chapter 978 of the Laws of New York 1977, as amended, McKinney’s Consolidated Laws, Title 34A, as amended.

“*Depository*” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series.

“*Direct-Pay Credit Facility*” means a Credit Facility that is issued in the form of a direct-pay letter of credit.

“*Director of the Budget*” means the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

“*Dormitory Authority Act*” means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law, as amended).

“*Excess Earnings*” means, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess.

“*Exempt Obligation*” means any of the following:

(a) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which

is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least two nationally recognized statistical rating services not lower than the second highest rating category for such obligation;

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

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

“*Expiration Date*” means, with respect to a Credit Facility or Liquidity Facility with respect to the Bonds of a Series or Subseries, the stated expiration date of such Credit Facility or Liquidity Facility, or such stated expiration date as it may be extended from time to time as provided therein; *provided, however*, that the “Expiration Date” shall not mean any date upon which a Credit Facility or Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Bonds of such Series or Subseries bear interest at a Fixed Rate or the expiration of such Credit Facility or Liquidity Facility by reason of the obtaining of an Alternate Credit Facility or Alternate Liquidity Facility.

“*Facilities Development Corporation Act*” means the Facilities Development Corporation Act, being Chapter 359 of the Laws of New York 1968, as amended, McKinney’s Unconsolidated Laws, Sections 4401 to 4417, inclusive, as amended.

“*Facility*” means any State Facility, any Voluntary Agency Facility or any Other Facility.

“*Facility Provider*” means the issuer of a Credit Facility.

“*Favorable Opinion of Bond Counsel*” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Counsel’s Opinion to the effect that such action is permitted under the Authority Act and the Resolution and that such action will not impair the exclusion of interest on such Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

“*Fixed Rate*” means an interest rate fixed to the Maturity Date of the Bonds of a Series or Subseries.

“*Fixed Rate Mode*” means the period during which Bonds of a Series or Subseries bear interest at a Fixed Rate.

“*Federal Agency Obligation*” means any of the following:

- (a) an obligation issued by any federal agency or instrumentality approved by the Authority;
- (b) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;
- (c) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and
- (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

“*Financing Agreement (State Project)*” means the Financing Agreement (State Project) executed by and between the Authority and the Department, dated as of February 26, 2003, as from time to time amended or

supplemented by Supplemental Financing Agreements in accordance with the terms and provisions of the Resolution and of the Financing Agreement (State Project).

“Financing Agreement (Voluntary Agency Project)” means the Financing Agreement (Voluntary Agency Project) executed by and between the Authority and the Department, dated as of February 26, 2003, as from time to time amended or supplemented by Supplemental Financing Agreements in accordance with the terms and provisions of the Resolution and of the Financing Agreement (Voluntary Agency Project).

“Financing Term” means (i) with respect to a State Facility, the Financing Term for the State Facility or State Facilities under the Financing Agreement (State Project) as specified in the applicable Supplemental Financing Agreement; and (ii) with respect to a Voluntary Agency Facility, the Financing Term for the Voluntary Agency Facility or Voluntary Agency Facilities under the Financing Agreement (Voluntary Agency Project) as specified in the applicable Supplemental Financing Agreement.

“Government Obligation” means any of the following:

- (a) a direct obligation of the United States of America;
- (b) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America;
- (c) an obligation to which the full faith and credit of the United States of America are pledged;
- (d) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and
- (e) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations.

“Gross Proceeds” means, with respect to a Series of Bonds the “gross proceeds” as defined in the Tax Certificate executed by the Authority or the Department in connection with the issuance of such Series of Bonds, which definition shall be consistent with the provisions of the Code relating to the exclusion of interest on state and local government obligations for federal income taxation purposes.

“Health Care Financing Consolidation Act” means the Health Care Financing Consolidation Act (being part of Chapter 83 of the Laws of 1995 of the State, and constituting Title 4-B of Article 8 of the Public Authorities Law, as amended).

“Holder of Bonds,” “Bondholder” or *“Holder”* or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond.

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or a Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on August 15 and February 15 of each Bond Year.

“Interest Payment Date” means (a) with respect to any Subseries 2003D-2A Bonds that are not Bank Bonds, (i) the Maturity Date or any Conversion Date, and (ii) while in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month; and (b) with respect to Bank Bonds, each date that is specified as a date on which interest is payable thereon pursuant to the Liquidity Facility under which such Bank Bond was purchased.

“Investment Agreement” means an agreement for the investment of moneys with a Qualified Financial Institution.

“*Investment Obligations*” means any of the following:

- (a) Government Obligations,
- (b) Federal Agency Obligations;
- (c) Exempt Obligations;
- (d) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (e) collateralized certificates of deposit that are (i) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, and (ii) are fully collateralized by Permitted Collateral;
- (f) commercial paper that (i) matures within two hundred seventy (270) days after its date of issuance, (ii) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (iii) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and
- (g) Investment Agreements that are fully collateralized by Permitted Collateral.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

“*Liquidity and Credit Amount*” means at any time:

- (i) in the case of a Credit Facility and/or a Liquidity Facility that is not also a Direct-Pay Credit Facility and with respect to the Bonds of a Series or Subseries bearing interest at the Weekly Rate, an amount to pay the Purchase Price equal to the principal amount (and, with respect to a Credit Facility, Redemption Price) of the Bonds of the Series or Subseries then Outstanding plus an interest amount equal to 35 days’ interest thereon calculated at the Maximum Rate on the basis of a 365 day year for the actual number of days elapsed; and
- (ii) in the case of a Credit Facility and/or a Liquidity Facility that is also a Direct-Pay Credit Facility and with respect to the Bonds of a Series or Subseries bearing interest at the Weekly Rate, an amount to pay the Purchase Price equal to the principal amount (and, with respect to a Credit Facility, Redemption Price) of the Bonds of the Series or Subseries then Outstanding plus an interest amount equal to 45 days’ interest thereon calculated at the Maximum Rate on the basis of a 365 day year for the actual number of days elapsed.

“*Liquidity Facility*” means a Facility which is obtained by the Authority pursuant to Series 2003D-2 Certificate that provides (to the extent, and subject to the terms and conditions, set forth therein) for the payment of the Purchase Price of Bonds of a Series or Subseries tendered or deemed tendered to the Tender Agent during the term thereof, as the same may be amended or supplemented from time to time.

“*Liquidity Facility Provider*” means the issuer of a Liquidity Facility.

“*Mandatory Tender Date*” means while Bonds bear interest at a Weekly Rate, (i) the Purchase Date, (ii) any Conversion Date, (iii) the Substitution Date, (iv) the Expiration Tender Date and (v) the Termination Tender Date.

“*Maximum Rate*” means twelve percent (12%) per annum or such higher rate as determined by the Authority’s Board with the consent of any affected Credit Facility Provider and, with respect to Bonds of a Series or Subseries that are Bank Bonds, the Bank Bond Maximum Rate; provided, however, that in no event shall the Maximum Rate exceed the maximum rate permitted by applicable law.

“*Mode*” means the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Auction Rate Mode or the Fixed Rate Mode.

“*Mental Health Services Fund*” means the Mental Health Services Fund created by Section 97-f of the State Finance Law and held in the joint custody of the Comptroller and the Commissioner.

“*Mental Hygiene Law*” means Chapter 978 of the Laws of New York 1977, as amended.

“*Net Annual Payments*” means Annual Payments net of the Annual Expenditures.

“*Option Bond*” means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bond or the Series Certificate related to such Bonds.

“*Other Agreement*” means any agreement to be dated and executed from time to time by and between the Authority and the Department, as from time to time amended or supplemented by Supplemental Financing Agreements in accordance with the terms and provisions of the Resolution and of such agreement, which agreement (i) shall provide for the financing and refinancing by the Authority of Other Facilities comprising an Other Project and the lease, sublease or use of such Other Facilities by the Department, Voluntary Agencies or other persons, and (ii) shall contain provisions for the payment of the Annual Payments which are substantially identical to the provisions contained in the Financing Agreement (State Project) and the Financing Agreement (Voluntary Agency Project).

“*Other Facility*” means any mental health services or other facility owned, leased, subleased or used by the Department, a Voluntary Agency or other qualified person which the Authority and the Department are authorized, now or hereafter, to undertake or provide the financing or refinancing for pursuant to law, as described and provided for in an Other Agreement and a Supplemental Financing Agreement.

“*Other Project*” means, collectively, all the Other Facilities financed or refinanced pursuant to an Other Agreement.

“*Outstanding*” when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and any applicable Series Resolution except (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution; and (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Series Resolution, except to the extent such tendered Option Bonds thereafter may be resold pursuant to the terms thereof and of such Series Resolution. The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Authority thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Series Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

“*Parity Reimbursement Obligation*” has the meaning as provided in Section 2.06 of the Resolution.

Appendix A

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

“Permitted Collateral” means any of the following:

(a) Government Obligations described in clauses (a), (b) or (c) of the definition of Government Obligations;

(b) Federal Agency Obligations described in clauses (a) or (b) of the definition of Federal Agency Obligations;

(c) commercial paper that (i) matures within two hundred seventy (270) days after its date of issuance, (ii) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (iii) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and

(d) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by Bests Insurance Guide or a at least one nationally recognized statistical rating service in the highest rating category.

“Plans and Specifications” means (a) with respect to a State Facility, the plans and specifications for a State Facility prepared pursuant to the Financing Agreement (State Project), including site plans showing the location of such State Facility upon the land, schematic drawings of the interior of the buildings and improvements included in such State Facility, and the design of such buildings and improvements, and any plans and specifications for the improvement, rehabilitation, reconstruction or repair of a State Facility; and (b) with respect to a Voluntary Agency Facility, the plans and specifications for a Voluntary Agency Facility prepared pursuant to the Financing Agreement (Voluntary Agency Project), including site plans showing the location of such Voluntary Agency Facility upon the land, schematic drawings of the interior of the buildings and improvements included in such Voluntary Agency Facility, and the design of such buildings and improvements, and any plans and specifications for the improvement, rehabilitation, reconstruction or repair of a Voluntary Agency Facility.

“Pledge and Assignment” means the Pledge and Assignment, made, executed and delivered as of February 26, 2003, by and among the Commissioner, the Comptroller and the Authority.

“Principal Installments” means, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Series Resolution or Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Resolution as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

“Prior Agency Agreement” means, collectively, the Agreement of Lease dated as of October 1, 1987 by and among the Agency, the Corporation and the Department, as the same has been and may be hereafter amended and supplemented, and the Loan Agreement dated as of July 1, 1989 by and among the Agency, the Corporation and the Department, as the same has been and may be hereafter amended and supplemented.

“Prior Agency Annual Payments” means the annual payments due and payable by the Corporation to the Agency in accordance with the provisions of Section 4.01 of the Prior Agreement, including any and all penalties imposed upon the Corporation for failure to make any such payment on or before the due date thereof.

“Prior Agency Bonds” means the bonds and other obligations of the Agency issued under and pursuant to the Prior Agency Resolution.

“Prior Agency Resolution” means the Mental Health Services Facilities Improvement Revenue Bond Resolution adopted by the Agency on September 22, 1987, as the same has been and may be hereafter amended and supplemented.

“Prior Authority Agreement” means, collectively, the Financing Agreement (State Project) dated as of January 31, 1996 by and between the Authority and the Department, as the same has been and may be hereafter amended and supplemented, and the Financing Agreement (Voluntary Agency Project) dated as of January 31, 1996 by and between the Authority and the Department, as the same has been and may be hereafter amended and supplemented.

“Prior Authority Annual Payments” means the annual payments due and payable by the Department to the Authority in accordance with the provisions of Article V of the Prior Authority Agreement, including any and all penalties imposed upon the Department for failure to make any such payment on or before the due date thereof.

“Prior Authority Bonds” means the bonds and other obligations of the Authority issued under and pursuant to the Prior Authority Resolution.

“Prior Authority Resolution” means the Mental Health Services Facilities Improvement Revenue Bond Resolution adopted by the Authority on January 31, 1996, as the same has been and may be hereafter amended and supplemented.

“Project” means, collectively, the State Project, the Voluntary Agency Project and an Other Project, or singularly, any one of such projects as the context may require.

“Project Account” means the State Project Account, the Voluntary Agency Project Account, or such other project account in the Construction Fund as may be so designated, created and established pursuant to the Resolution.

“Purchase Price” means an amount equal to the principal amount of any Bond of a Series or Subseries purchased on any Tender Date plus accrued and unpaid interest to the Tender Date, unless the Tender Date for such Bond is also an Interest Payment Date.

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

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Agency;

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

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

“*Qualified Swap*” means, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Authority for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Authority as a Qualified Swap with respect to such Bonds.

“*Qualified Swap Payment*” means any payment required to be made by the Authority under a Qualified Swap, such payment to be made only from the Subordinated Payment Fund.

“*Qualified Swap Provider*” means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at the time the Qualified Swap is executed without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, at least as high as the third highest rating category by at least two nationally recognized statistical rating services.

“*Rating Agency*” means each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Authority.

“*Rating Confirmation*” means evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as a result of an action to be taken hereunder; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on the Bonds.

“*Record Date*” means with respect to Bonds of a Series or Subseries in the Weekly Mode, the opening of business on the Business Day next preceding an Interest Payment Date.

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

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

“*Reimbursement Obligation*” has the meaning provided in Section 2.06 of the Resolution.

“*Resolution*” means the Second Mental Health Services Facilities Improvement Revenue Bond Resolution of the Authority, adopted February 26, 2003, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

“*Revenue Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Revenues*” means (i) all Net Annual Payments received or receivable by the Authority, which pursuant to the Agreement are to be paid to the Trustee, (ii) all earnings on the investment of amounts held in the funds and accounts under the Resolution except the Arbitrage Rebate Fund and (iii) the payments received by the Authority pursuant to a Qualified Swap, excluding any payment made by the counterparty to a Qualified Swap that was payable solely upon the early termination such Qualified Swap.

“*SEQR*” means Article 8 of the New York Environmental Conservation Law and the regulations promulgated thereunder

“*Serial Bonds*” means the Bonds so designated in a Series Resolution or a Series Certificate.

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

“*Series Certificate*” means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under the Resolution or a Series Resolution.

“*Series Resolution*” means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

“*Services Fund*” means the Mental Health Services Fund established by section 97-f of the State Finance Law.

Appendix A

“*Sinking Fund Installment*” means, as of any date of calculation and with respect to any Series or Subseries of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required by the Resolution or by the Series Resolution pursuant to which such Bonds were issued or by any applicable Series Certificate, to be paid on dates as set forth in such Series Resolution or Series Certificate for the retirement of any Outstanding Bonds of said Series, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

“*State*” means the State of New York.

“*State Facility*” means any facility for use by the Department which the Authority and the Department are authorized, now or hereafter, to undertake or provide the financing for pursuant to law, as described and provided for in the Financing Agreement (State Project) and a Supplemental Financing Agreement.

“*State Project*” means, collectively, all of the State Facilities.

“*State Project Account*” means the account in the Construction Fund so designated, created and established pursuant to the Resolution.

“*Subordinated Indebtedness*” means any bond, note or other indebtedness authorized by Series Resolution or other resolution of the Authority and designated as constituting “Subordinated Indebtedness” in a certificate of an Authorized Officer of the Authority delivered to the Trustee, which shall be payable and secured in a manner permitted by Article V of the Resolution, and any lien on and pledge of any portion of the Revenues securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Revenues herein created for the payment of the Bonds and Parity Reimbursement Obligations.

“*Subseries*” means the grouping of Bonds of a Series established by the Authority pursuant to the Series Resolution authorizing issuance of the Bonds of such Series or the applicable Series Certificate.

“*Subordinated Payment Fund*” means the fund so designated, created and established pursuant to the Resolution.

“*Substitution Date*” means:

(a) the second Business Day preceding the date that is specified in a written notice given to the Trustee and the Tender Agent in accordance with the Liquidity Facility or the Credit Facility as the date on which the assignment of the obligation of the Liquidity Facility Provider or the Credit Facility Provider under such Liquidity Facility or Credit Facility shall be effective; *provided, however*, that any date specified in such written notice as the effective date of such assignment shall be treated as the effective date of such assignment even if the assignment fails to occur on such date; and

(b) the date that is specified in a written notice given by the Authority to the Trustee and the Tender Agent as the date on which an Alternate Credit Facility or an Alternate Liquidity Facility is to be substituted for a then existing Credit Facility or Liquidity Facility in effect pursuant to the Series 2003D-2 Certificate; *provided, however*, that any date so specified in the written notice shall be treated as a Substitution Date only if a written notice thereof is given to the Trustee and the Tender Agent at least sixteen (16) days preceding such date; *provided further, however*, that any date so specified in the written notice shall be treated as a Substitution Date for the purposes of the Resolutions even if the substitution of the Alternate Credit Facility or the Alternate Liquidity Facility fails to occur on such date.

“*Supplemental Financing Agreement*” means any agreement amending or supplementing the Financing Agreement (State Project), the Financing Agreement (Voluntary Agency Project), any Other Agreement, or any Supplemental Financing Agreement, executed and becoming effective in accordance with the terms and provisions of the Resolution and the Financing Agreement (State Project) or the Financing Agreement (Voluntary Agency Project) or any Other Agreement.

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

“Tax Certificate” means such tax certificates, instructions and other documents as may be executed by an Authorized Officer of the Authority in connection with the issuance of Bonds of a Series for the purpose of demonstrating compliance with the provisions of Section 103(a) of the Code.

“Term Bonds” means the Bonds so designated in a Series Resolution or a Series Certificate and payable from Sinking Fund Installments.

“Term Rate Mode” means the mode during which Bonds of a Series or Subseries bear interest at a Term Rate.

“Termination Date” means, with respect to a Credit Facility or a Liquidity Facility, (i) the date on which such Credit Facility or Liquidity Facility shall terminate pursuant to its terms or otherwise be terminated prior to its Expiration Date or (ii) the date on which the obligation of the Credit Facility Provider or the Liquidity Facility Provider to provide a loan shall terminate; provided, however, that “Termination Date” shall not mean any date upon which a Credit Facility or Liquidity Facility is no longer effective by reason of its Expiration Date.

“Trustee” means the bank or trust company appointed as Trustee for the Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for in the Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

“Valuation Date” means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Appreciated Values are assigned to such Deferred Income Bond.

“Variable Interest Rate Bonds” means Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Series of Bonds.

“Voluntary Agency” means a corporation organized under or existing pursuant to the Not-For-Profit Corporation Law and as otherwise defined in Section 3 of the Facilities Development Corporation Act.

“Voluntary Agency Facility” means any facility owned, or for lease, sublease or use, by a Voluntary Agency which the Authority and the Department are authorized, now or hereafter, to undertake or provide the financing or refinancing for pursuant to law, as described and provided for in the Financing Agreement (Voluntary Agency Project) and a Supplemental Financing Agreement.

“Voluntary Agency Financing Documents” means the mortgage, the note and the loan, security, lease, sublease, financing or other documents and instruments entered into by a Voluntary Agency with or for the benefit of the Authority or the Department for the financing or refinancing of a Facility owned, or for lease, sublease or use, by such Voluntary Agency.

“Voluntary Agency Project” means, collectively, all of the Voluntary Agency Facilities.

“Voluntary Agency Project Account” means the account in the Construction Fund so designated, created and established pursuant to the Resolution.

“Weekly Mode” means a period of time during which Bonds of a Series or Subseries bear interest at a Weekly Rate.

Appendix A

“Weekly Rate Period” means with respect to Bonds of a Series or Subseries in the Weekly Mode, the period from and including the Closing Date (if initially issued in the Weekly Mode) or the Conversion Date that Bonds of such Series or Subseries began to bear interest at the Weekly Rate to and including the following Wednesday, and thereafter commencing on each Thursday to and including the earlier of the Wednesday of the following week or the day preceding any Mandatory Tender Date or the Maturity Date.

**INFORMATION CONCERNING
THE
STATE OF NEW YORK**

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

The State Legislature is not legally obligated to appropriate amounts for the payment of principal of, sinking fund installments, if any, or interest on the obligations to which this Official Statement relates. For information about the sources of payment of such obligations, the foregoing Official Statement to which this Appendix B is attached should be read in its entirety. The continued willingness and ability of the State, however, to make the appropriations and otherwise provide for the payments contemplated in the foregoing Official Statement, and the market for and market prices of the obligations, may depend in part upon the financial condition of the State.

Appendix B contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by the State to provide information about the financial condition of the State in the Official Statements of all issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

The AIS set forth in this Appendix B is dated May 15, 2009. It was supplemented on May 29, 2009. The AIS was also filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR). An official copy of the AIS may be obtained by contacting a NRMSIR, or the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.state.ny.us>.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2008 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 25, 2008 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

The Annual Information Statement of the State of New York (including any and all updates and supplements thereto) may not be included in an Official Statement or included by reference in an Official Statement without the express written authorization of the State of New York, Division of the Budget, State Capitol, Albany, NY 12224.

Supplement to the 2009-10 Annual Information Statement (AIS) State of New York

May 29, 2009

This Supplement to the AIS dated May 15, 2009 provides (1) a preliminary discussion of the State's projected General Fund operating results through the first two months of fiscal year 2009-10 compared to the cash-flow forecast through May 2009 contained in the AIS, (2) an update on the State Retirement Systems, and (3) a summary of certain recent litigation against the State. The AIS and this Supplement should be read in their entirety.

PRELIMINARY OPERATING RESULTS (THROUGH MAY 2009)

The Division of the Budget ("DOB") published a monthly cash-flow forecast for fiscal year 2009-10 in the AIS. Based on information to date, DOB now estimates that the cumulative variance in General Fund receipts (including transfers from other funds) for the two-month period ending May 31, 2009 may be in the range of \$400 million to \$700 million below the cash-flow forecast contained in the AIS. Lower than expected personal income tax ("PIT") collections are expected to account for most of the projected variance. PIT collections to date reflect lower final payments and higher refunds related to calendar year 2008 as well as the phased-in timing of the implementation of the PIT increase approved in the 2009-10 Enacted Budget. It is possible that the negative variances from the cash-flow forecast experienced through May will continue in subsequent months. DOB expects that June 2009 results will provide more definitive information as to whether the variances observed in the first two months of the fiscal year are substantially timing-related or performance based (indicating the need for potential revisions to the annual receipts forecast). In particular, June 2009 collections will reflect a second full month of withholding on wages and the first estimated payments on 2009 tax liability under the PIT increase (as well as additional information on the performance of other State taxes compared to the current forecast, including the first reconciliation of business tax payments on 2009 tax liability). In addition, litigation concerning the State's Bottle Bill (see below) may adversely affect planned receipts in 2009-10. The Financial Plan for 2009-10 includes \$115 million related to amendments to the Bottle Bill approved in the Enacted Budget. General Fund disbursements (including transfers to other funds) are expected to be approximately \$100 million to \$200 million below the cash-flow forecast through May 2009 with variances in individual programs generally appearing to be timing-related. The Enacted Budget authorizes the General Fund to borrow resources temporarily from other funds for a period not to exceed four months (or the close of the fiscal year, whichever is shorter). DOB expects periodic negative balances during the fiscal year, especially in the first quarter of 2009-10, before the benefit of approved actions in the Enacted Budget are fully realized (See "Special Considerations" in the AIS for a complete discussion). The State Comptroller is expected to publish unaudited operating results for May 2009 in mid-June 2009.

During July 2009, DOB will undertake a comprehensive review of operating results through the first quarter of 2009-10, updated economic data, and other factors in preparation for the First Quarterly Update to the AIS that is expected to be issued either in late July or early August 2009. The First Quarterly Update will reflect updated annual operating estimates to the multi-year Financial Plan.

STATE RETIREMENT SYSTEMS

On May 29, 2009 the State Comptroller released a preliminary estimate indicating that the rate of return for the New York State Common Retirement Fund ("Fund") assets was a negative 26.3 percent, with the Fund value declining to approximately \$109.9 billion for the fiscal year that ended March 31, 2009. The Comptroller attributed the Fund's decline to the global economic crisis, which drove the major U.S. stock indices down between 33 and 40 percent. The Comptroller said the market downturn would require higher employer pension contribution rates in future years, and proposed legislation to give State and local government employers an option to manage those expected increases.

LITIGATION

In International Bottled Water Association, et al. v. Paterson, et al., plaintiffs seek declaratory and injunctive relief declaring that certain amendments to the State's Bottle Bill enacted on April 7, 2009 as part of the 2009-2010 budget violate the due process clause, the equal protection clause and the commerce clause of the United States Constitution. On May 27, 2009, the United States District Court for the Southern District of New York issued a preliminary injunction staying the June 1, 2009 effective date of the amendments to the Bottle Bill and declared that the section of the amendments which requires that the plaintiffs and other beverage manufacturers and distributors place a unique New York-exclusive universal product code on all bottles covered by the law that are offered for sale in the State violates the commerce clause of the United States Constitution. By order entered May 29, 2009 that superseded the above-referenced May 27, 2009 preliminary injunction, the district court granted a preliminary injunction that (1) enjoined the State from implementing or enforcing the New-York exclusive universal product code provision of the Bottle Bill and (2) enjoined the State from implementing or enforcing any and all other amendments to the Bottle Bill signed into law on April 7, 2009, until April 1, 2010, to allow persons subject to the amendments sufficient time to comply with the law's requirements.

The seal of the State of New York is centered in the background. It features a shield with a landscape scene, flanked by two female figures: Liberty on the left holding a torch and a scroll, and Justice on the right holding scales. Above the shield is an eagle with wings spread. A banner at the bottom of the shield contains the word "EXCELSIOR".

**Annual
Information
Statement**

State of New York

May 15, 2009

[THIS PAGE INTENTIONALLY LEFT BLANK]

Annual Information Statement

State of New York

Dated: May 15, 2009

Table of Contents

Annual Information Statement	1
Introduction	1
Usage Notice	2
Current Fiscal Year	3
2009-10 Enacted Budget Financial Plan Overview	3
2009-10 General Fund Financial Plan and OutYear Projections	15
Financial Plan Reserves	25
Cash Flow Forecast	25
2009-10 All Funds Financial Plan Forecast	26
GAAP-Basis Financial Plans/GASB Statement 45	64
Special Considerations	67

THE FOLLOWING SECTIONS ARE INCLUDED BY CROSS-REFERENCE

Prior Fiscal Years

- Cash-Basis Results for Prior Fiscal Years
- GAAP-Basis Results for Prior Fiscal Years

Economics and Demographics

- The U.S. Economy
- The New York Economy
- Economic and Demographic Trends

Debt and Other Financing Activities

- State Debt and Other Financings
- State-Related Debt
- State-Related Debt Long-Term Trends
- State-Related Debt Service Requirements
- Limitations on State-Supported Debt
- 2009-10 State Borrowing Plan

State Organization

- State Government
- State Financial Procedures
- State Government Employment
- State Retirement Systems

Authorities and Localities

- Public Authorities
- The City of New York
- Other Localities

Litigation

- General
- Real Property Claims
- Tobacco Master Settlement Agreement
- State Medicaid Program
- West Valley Litigation
- Representative Payees

Exhibit A to Annual Information Statement

- Glossary of Financial Terms

Exhibit B to Annual Information Statement

- Principal State Taxes and Fees

Exhibit C to Annual Information Statement

- Glossary of Acronyms

[THIS PAGE INTENTIONALLY LEFT BLANK]

Annual Information Statement of the State of New York

Introduction

This Annual Information Statement (“AIS”) is dated May 15, 2009 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the “State”) and replaces the Annual Information Statement dated May 12, 2008 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2009, November 2009, and February 2010) and may be supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any update or supplement issued during the fiscal year.

In this AIS, readers will find:

1. A section entitled the “Current Fiscal Year” that contains (a) extracts from the 2009-10 Enacted Budget Financial Plan, dated April 28, 2009 (the “Financial Plan”), prepared by the Division of the Budget (“DOB”), including the State’s official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State’s current fiscal year under the heading “Special Considerations.” The first part of the section entitled “Current Fiscal Year” summarizes the major components of the 2009-10 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State’s governmental funds in 2009-10.
2. Information on other subjects relevant to the State’s fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State’s revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) governmental organization, and (e) activities of public authorities and localities.
3. The status of significant litigation that has the potential to adversely affect the State’s finances.

DOB is responsible for preparing the State’s Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB relies on information drawn from other sources, including the Office of the State Comptroller (“OSC”), that DOB believes to be reliable. Information relating to matters described in the section entitled “Litigation” is furnished by the State Office of the Attorney General.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State’s financial condition, including potential operating results for the current fiscal year and projected baseline gaps for future fiscal years, that may vary materially from the information provided in this AIS, as updated or supplemented. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial condition of the State.

The economic and financial condition of the State may be affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken or not taken, not only by the State and its agencies and instrumentalities, but also by entities, such as the federal government or other nations, that are not under the control of the State. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be quantified or incorporated into the assumptions underlying the State's projections.

This Annual Information Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the State's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs). An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-8282 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2008-09 fiscal year in July 2009. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be available on its website at www.osc.state.ny.us.

Usage Notice

The AIS has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements (each, a "CDA") entered into by the State in connection with financings of certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payments of their respective bonds, notes or other obligations.

An informational copy of this AIS is available on the DOB website (www.budget.state.ny.us). The availability of this AIS in electronic form at DOB's website is being provided solely as a matter of convenience to readers and does not create any implication that there have been no changes in the financial condition of the State at any time subsequent to its release date. Maintenance of the AIS on the website is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224 or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS if so misused.

Current Fiscal Year

The 2009-10 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor.

The Financial Plan contains estimates for the 2009-10 fiscal year and projections for the 2010-11 through 2012-13 fiscal years. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Financial Plan set forth below.

The State accounts for all of its spending and revenues by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as Grants to Local Governments). The Financial Plan tables sort all State projections and results by fund and category. The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is statutorily required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State also reports disbursements and receipts activity by other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and Federal Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

Fund types of the State include: the General Fund; State special revenue funds (SRFs), which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal SRFs, which receive Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.

2009-10 Enacted Budget Financial Plan Overview¹

The Enacted Budget for 2009-10 closes the largest budget gap ever faced by the State. The combined current services budget gap² for 2008-09 and 2009-10 totaled \$20.1 billion (2008-09: \$2.2 billion; 2009-10: \$17.9 billion), before the gap-closing actions approved by the Governor and Legislature and the receipt of extraordinary Federal aid. For perspective, the two-year budget gap that needed to be closed was equal to approximately 37 percent of total General Fund receipts in 2008-09. The cumulative gap for the five-year planning period from 2008-09 through 2012-13, before approved gap-closing actions, totaled \$85.2 billion.

¹ Please see Exhibit C Glossary of Acronyms for the definitions of commonly used acronyms and abbreviations that appear in the text.

² The current-services gap represented (a) the difference between the General Fund disbursements expected to be needed to maintain current service levels and specific commitments, and the expected level of resources to pay for them, plus (b) the operating deficit projected in HCRA, which helps finance a number of State health care programs including a share of the Medicaid program.

Financial Plan Indicators

FINANCIAL PLAN AT-A-GLANCE: IMPACT ON KEY MEASURES			
(millions of dollars)			
	2007-08	2008-09	2009-10
	Actuals	Results*	Enacted Budget
State Operating Funds Budget			
Size of Budget	\$77,003	\$78,168	\$78,742
Annual Growth	4.8%	1.5%	0.7%
Other Budget Measures (Annual Growth)			
General Fund (with transfers)	\$53,387 3.5%	\$54,607 2.3%	\$54,908 0.6%
State Funds (Including Capital)	\$81,379 5.3%	\$83,146 2.2%	\$84,657 1.8%
Capital Budget (Federal and State)	\$6,131 10.3%	\$6,830 11.4%	\$8,832 29.3%
Federal Operating	\$32,924 -2.3%	\$36,573 11.1%	\$44,361 21.3%
All Funds	\$116,058 2.9%	\$121,571 4.8%	\$131,935 8.5%
All Funds (Including "Off-Budget" Capital)	\$117,692 3.2%	\$123,833 5.2%	\$133,737 8.0%
Inflation (CPI) Growth	3.3%	2.7%	-0.2%
All Funds Receipts (Annual Growth)			
Taxes	\$60,871 6.7%	\$60,337 -0.9%	\$60,647 0.5%
Miscellaneous Receipts	\$19,643 7.4%	\$20,064 2.1%	\$22,185 10.6%
Federal Grants	\$34,909 -2.6%	\$38,834 11.2%	\$47,718 22.9%
Total Receipts	\$115,423 3.8%	\$119,235 3.3%	\$130,550 9.5%
Base Tax Growth/(Decline) **	6.0%	-3.0%	-6.5%
Combined General Fund/HCRA Outyear Gap Forecast			
2008-09	N/AP	N/AP	\$0
2009-10	N/AP	N/AP	\$0
2010-11	N/AP	N/AP	(\$2,166)
2011-12	N/AP	N/AP	(\$8,757)
2012-13	N/AP	N/AP	(\$13,706)
Cumulative Gaps	N/AP	N/AP	(\$24,629)
Total General Fund Reserves	\$2,754	\$1,948	\$1,378
State Workforce (Subject to Executive Control)	137,635	136,490	128,803
Debt			
Debt Service as % All Funds	4.0%	4.3%	4.5%
State-Related Debt Outstanding	\$49,884	\$51,730	\$54,532

* Unaudited Year-End Results.

** Reflects estimated growth/(decline) in tax receipts excluding the impact of Tax Law changes since SFY 1986-87.

The combined current-services gap for 2008-09 and 2009-10 grew steadily over the past year, increasing four-fold since May 2008. The \$15 billion increase in the combined gap, to \$20.1 billion, was due almost exclusively to the precipitous decline in projected receipts, reflecting the severity of the current economic downturn and dislocation in the financial markets. The current recession has been characterized by a loss of vast sums of wealth from depressed equity and real estate markets. As of the fourth quarter of 2008, an unprecedented \$12.8 trillion in net wealth had been destroyed nationwide since the third quarter of calendar year 2007. This is expected to have a substantial impact on taxable income and, by extension, State tax receipts. To understand the impact of the downturn on income, a comparison to the last recession is instructive: New York State adjusted gross income fell by \$28 billion in 2001 and another \$21 billion in 2002, following the collapse of the high-tech/Internet bubble and the attacks of September 11. In contrast, gross income losses of \$52 billion in 2008-09 and \$53 billion in 2009-10 – or more than twice the last recession – are projected.

Addressing the Budget Gaps

The gap-closing plan for 2008-09 and 2009-10 was enacted in two parts. First, in early February 2009, the Governor and Legislature approved a deficit reduction plan (DRP) for 2008-09. The DRP provided approximately \$2.4 billion in savings over the two-year period, reducing the combined gap from \$20.1 to \$17.7 billion. Second, in March 2009, the Governor and Legislature reached final agreement on a budget for 2009-10, with the Legislature completing action on all appropriations and enabling legislation to implement the budget on April 3, 2009 (all debt service appropriations for 2009-10 were enacted on March 5, 2009). The Enacted Budget Financial Plan includes \$11.5 billion in gap-closing actions, beyond the \$2.4 billion approved in the DRP, for a total of \$13.9 billion in gap-closing actions.³

To close the two-year budget gap in 2008-09 and 2009-10, the Governor and Legislature approved a total of \$13.9 billion in gap-closing actions, including \$6.5 billion in actions to restrain spending, \$5.4 billion in actions to increase receipts, and \$2 billion in non-recurring actions (more than half of which were used in 2008-09 to close a gap that opened in the last half of the fiscal year). The most significant actions include freezing the foundation aid and Universal Prekindergarten education aid programs at 2008-09 levels; eliminating the Middle-Class STAR rebate program (but maintaining the STAR exemption program that will provide \$3.5 billion in property tax relief); instituting Medicaid cost-containment; reducing the size of the State workforce; and increasing personal income tax rates on high-income earners.

In addition, the gap-closing plan includes \$6.15 billion in direct fiscal relief that the Federal government is providing to the State under the American Recovery and Reinvestment Act of 2009 (ARRA) to stabilize State finances and help prevent reductions in essential services. This extraordinary aid consists of \$5 billion in State savings resulting from a temporary increase in the amount of Medicaid spending that is paid for by the Federal government (known as FMAP) and \$1.15 billion in Federal aid provided by the ARRA State Fiscal Stabilization Fund (SFSF) to restore proposed reductions in education, higher education, and other essential government services.

The following table summarizes the gap-closing plan by major function and activity.

³ The gap-closing plan described herein refers to the combined actions taken in the DRP and the Enacted Budget for 2009-10, unless otherwise noted.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10						
ENACTED BUDGET INCLUDING DRP						
(millions of dollars)						
	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
REVISED CURRENT SERVICES GAP ESTIMATES*	(2,219)	(17,857)	(20,076)	(20,374)	(21,900)	(22,845)
TOTAL ENACTED BUDGET GAP-CLOSING ACTIONS	1,595	12,332	13,927	13,794	13,144	9,214
Spending Restraint	413	6,047	6,460	7,360	8,234	8,138
Health Care	63	1,961	2,024	1,673	1,719	1,735
School Tax Relief Program	93	1,559	1,652	2,051	2,113	2,181
School Aid/Lottery Aid	0	948	948	1,870	2,835	2,695
Mental Hygiene	4	388	392	398	368	352
Higher Education	55	197	252	257	198	171
Public Safety	2	215	217	251	256	297
Human Services/Labor/Housing	4	188	192	189	129	60
Transportation	0	152	152	271	337	390
Repeal Planned Member Item Deposits	30	104	134	(85)	(85)	0
Local Government Aid	3	94	97	171	168	165
Other Education Aid	7	21	28	61	53	53
State Workforce	5	170	175	328	328	328
Convert Capital to PAYGO	0	0	0	(100)	(200)	(300)
All Other	147	50	197	25	15	11
Revenue Actions	118	5,279	5,397	6,443	4,974	1,110
Temporary PIT Increase	0	3,948	3,948	4,778	3,720	0
Increase 18-A Utility Assessment	0	557	557	557	557	557
Bottle Bill Unclaimed Deposits	0	115	115	115	115	115
Limit Itemized Deductions for High Income Taxpayers	0	140	140	200	150	150
Reform Empire Zones Program	0	90	90	101	113	126
Impose Fee on Non-LLC Partnerships	0	50	50	50	50	50
Impose Sales Tax on Certain Transportation-related Activities	0	26	26	34	34	34
Increase Beer/Wine Tax	0	14	14	14	14	14
Film Credit Restructuring	0	0	0	192	(180)	(228)
Reissue License Plates	0	0	0	129	129	20
All Other Revenue Actions	118	339	457	273	272	272
Non-Recurring Resources	1,064	1,006	2,070	(9)	(64)	(34)
Delay extra MA Cycle (two years)	0	400	400	0	(400)	0
Increase Business Tax Prepayment to 40 Percent	0	333	333	0	0	0
NYPA Payments	306	170	476	0	(25)	(25)
Equipment Financing	0	104	104	(4)	(4)	(4)
VLT Franchise Payment	0	0	0	0	370	0
Medicaid DRP Savings/CUNY Payment	300	(300)	0	0	0	0
All Other	458	299	757	(5)	(5)	(5)
FEDERAL ARRA AID	1,299	4,850	6,149	4,414	(1)	(75)
Enhanced FMAP/Medicaid Relief (excludes local share)	1,299	3,702	5,001	3,387	0	0
State Fiscal Stabilization Relief	0	1,150	1,150	1,508	359	0
Federal Tax Relief Extended to State Tax Code	0	(2)	(2)	(481)	(360)	(75)
NET AVAILABLE RESOURCES APPLIED IN 2009-10	(675)	675	0	0	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	0	0	0	(2,166)	(8,757)	(13,706)

* Before 2008-09 Enacted DRP.

Budget Outcomes

DOB estimates that, after gap-closing actions and Federal aid, the General Fund and HCRA Financial Plan for 2009-10 is balanced, and leaves budget gaps of \$2.2 billion in fiscal year 2010-11, \$8.8 billion in fiscal year 2011-12, and \$13.7 billion in 2012-13. As required by law, the State ended the 2008-09 fiscal year in balance in the General Fund and HCRA.⁴ As shown in the table above, the State received \$1.3 billion in Federal aid under ARRA in 2008-09, of which it used \$624 million to eliminate the 2008-09 gap, and \$675 million that it applied to close a portion of the 2009-10 gap. Based on DOB's current estimates, the cumulative budget gap for the five-year period (2008-09 through 2012-13) has been reduced from \$85.2 billion to \$24.6 billion, a reduction of approximately \$60.6 billion – or over 70 percent – from the current-services forecast.⁵

Annual growth of the State-financed portion of the budget – that is, spending financed directly by State residents through State taxes, fees, and other revenues – is held nearly flat. General Fund disbursements, including transfers to other funds, are expected to total \$54.9 billion in 2009-10, an increase of \$301 million (0.6 percent) from 2008-09 results. Projected General Fund spending for 2009-10 has been reduced by \$8.7 billion compared to the current services forecast. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total \$78.7 billion in 2009-10, an increase of \$574 million (0.7 percent) over 2008-09 results. State Operating Funds spending in the Enacted Budget Financial Plan has been reduced by \$9.4 billion compared to the current services forecast.

Elements of the Gap-Closing Plan

Before the dramatic economic events of 2008, the sustained growth in spending commitments since the last economic recovery was the principal contributor to the State's growing budget gaps. Over the last year, however, the precipitous decline in actual and projected receipts caused by the economic downturn has been the dominant cause of the extraordinary increase in the budget gaps. This is illustrated by looking at the combined budget gap for 2008-09 and 2009-10. In May 2008, the projected gap of \$5 billion was driven almost exclusively by expected spending growth. In contrast, the \$15 billion incremental increase to the combined gap since that time is almost entirely due to the worsening outlook for receipts.

Accordingly, the gap-closing plan under the State's control (that is, excluding Federal aid) is weighted toward spending restraint, but also relies on substantial tax and fee increases. Actions to restrain spending constitute approximately 46 percent of the State portion of the gap-closing plan. Actions to increase receipts constitute approximately 39 percent of the plan. Non-recurring resources make up the remainder.

The section below provides a summary of the actions under each category that have been approved for 2009-10.

Spending Restraint

Actions to restrain General Fund spending affect most activities funded by the State. General Fund spending in the Enacted Budget Financial Plan is projected to total \$54.9 billion in 2009-10, an increase of \$301 million over 2008-09 results. General Fund spending was reduced by \$8.7 billion from current services levels.

⁴ See "Prior Fiscal Years - Cash Basis Results for Prior Fiscal Years" in this AIS for more information.

⁵ The estimates beyond 2009-10 are meant to provide a general perspective on the State's long-term operating forecast, and will be revised and updated quarterly.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - SPENDING RESTRAINT						
(millions of dollars)						
	2008-09	2009-10	Total	2010-11	2011-12	2012-13
Spending Restraint (net of adds)	413	6,047	6,460	7,360	8,234	8,138
Health Care	63	1,961	2,024	1,673	1,719	1,735
School Tax Relief Program	93	1,559	1,652	2,051	2,113	2,181
School Aid/Lottery Aid	0	948	948	1,870	2,835	2,695
Mental Hygiene	4	388	392	398	368	352
Higher Education	55	197	252	257	198	171
Public Safety	2	215	217	251	256	297
Human Services/Labor/Housing	4	188	192	189	129	60
Transportation	0	152	152	271	337	390
Repeal Planned Member Item Deposits	30	104	134	(85)	(85)	0
Local Government Aid	3	94	97	171	168	165
Other Education Aid	7	21	28	61	53	53
State Workforce	5	170	175	328	328	328
Convert Capital to PAYGO	0	0	0	(100)	(200)	(300)
All Other	147	50	197	25	15	11

The most significant actions in the Enacted Budget Financial Plan that restrain General Fund spending include the following:

- Health Care (\$2.0 billion):** Enacts cost-containment measures, including rate reductions; updating the base year on which rates are calculated; re-establishing certain industry assessments; financing a greater share of Medicaid spending through HCRA; eliminating a planned human services COLA in 2009-10; and other targeted public health and aging reductions. In addition, the Enacted Budget authorizes savings actions to fully eliminate the HCRA operating deficit, including an increase in the Covered Lives Assessment, instituting a tax on for-profit HMOs, and increasing certain surcharges;
- STAR (\$1.7 billion):** Eliminates the Middle-class STAR rebate program (but maintains the STAR exemption program that will continue to provide tax relief); reduces the PIT credit for New York City taxpayers; and adjusts the timing of reimbursement to New York City;
- School Aid (\$948 million on a State fiscal year basis):** Maintains selected aids at 2008-09 school year levels; extends the phase-in of foundation aid and the UPK program from four to seven years; and authorizes additional lottery games that would increase projected resources available to education;
- Mental Hygiene (\$392 million):** Eliminates a cost-of-living increase for providers; institutes programmatic reforms to align reimbursement with actual costs (including closing, consolidating, and restructuring facility operations, thereby reducing the planned workforce by 865 positions); maximizes available Federal aid; and other measures;
- Higher Education (\$252 million):** Includes tuition increases at public universities approved by the SUNY and CUNY Boards of Trustees; reductions in support for the four statutory colleges at Cornell University and the College of Ceramics at Alfred University; an assessment on the SUNY and CUNY research foundations; inclusion of public sector pension income in TAP determinations; and other savings;

- **Public Safety (\$217 million):** Closes three prison camps and various annexes in correctional facilities; improves parolee release and violation processes; eliminates farm operations at correctional facilities; reduces programs for inmates; and other operational changes;
- **Human Services (\$192 million):** Increases the level of Federal funding that local districts are required to spend on child welfare services; eliminates the human services COLA; lowers reimbursement for optional, community-based preventive services; closes or downsizes 11 underutilized facilities (8 residential facilities and 3 non-residential facilities), and other measures;
- **Transportation (\$152 million):** Reduces the General Fund subsidy to the DHBTF (which is made possible by an increase in certain fees) and to transit systems; and lowers spending on DOT operations consistent with the overall reduction in planned capital activities;
- **Member item funding (\$134 million):** Eliminates deposits into the Community Projects Fund for the Governor and Assembly that had been authorized in prior years. The Enacted Budget includes \$170 million in new member item deposits split equally between the Senate and Assembly. The new legislative deposits are scheduled to be made in 2010-11 and 2011-12. The Governor did not accept any new member-item funding;
- **Local Government Aid (\$97 million):** Holds aid and incentive payments for cities, towns, and villages outside of New York City at 2008-09 levels; reduces VLT aid; and other measures; and
- **Other Education Aid (\$28 million):** Reduces funding for, among other things, attendance-taking requirements at non-public schools, library aid, prior-year claims, and supplemental funding for certain after-school programs.

The gap-closing plan counts on savings from instituting a workforce reduction plan (WRP). The WRP would reduce the State Executive Branch workforce by approximately 8,700 unionized employees through attritions, layoffs, and abolitions of funded vacancies. These reductions are in addition to those that are expected to result from the facility closures and other actions affecting the workforce that were approved in this budget.

The Executive Budget had proposed achieving workforce savings without a substantial reduction in force through, among other things, the elimination of a planned 3 percent general salary increase for State employees in 2009-10 and a one-week wage deferral payable upon separation from State service. The State's public employee unions rejected the proposals. Pursuant to the Governor's directive, most non-unionized "management/confidential" employees in 2009-10 will not receive the planned general salary increase, merit awards, longevity payments, and performance advances and therefore will not be subject to the layoffs required in the WRP. See "State Workforce Reductions" herein for more information.

The Enacted Budget Financial Plan will finance a larger share of economic development projects with ongoing resources rather than with long-term debt, starting in fiscal year 2010-11. This will help relieve pressure on the State's statutory debt cap and realize debt service savings in future years. The determination to allocate the "pay-as-you-go resources" to economic development takes into account that projects in this area typically have above-average financing costs. See "Bond Market Issues" herein for more information.

The Enacted Budget Financial Plan includes a modest level of new initiatives in 2009-10, the costs of which are counted against the savings actions presented in this Financial Plan. The most significant initiatives include a new low-cost student loan program to which the State will make an initial contribution of \$50 million in 2009-10; extension of a program to assist homeowners facing foreclosure; an increase in the basic public assistance grant of 10 percent annually over the next three years; and

additional funding for HEAL-NY, quality incentive pools for nursing homes and home care agencies, and other health initiatives.

Revenue Actions

Balancing the budget exclusively through spending reductions in 2009-10 would have required an extraordinary retrenchment in State services. Absent any actions to raise receipts, DOB estimates that General Fund spending would have had to be reduced by nearly \$18 billion from the level required to meet existing commitments – and by almost \$9 billion from 2008-09 results – to achieve a balanced budget in 2009-10. Spending reductions of this magnitude would be in direct conflict with Federal efforts to stimulate the economy during a severe recession, raise grave health and public safety concerns, and place additional pressure on local property taxes. Therefore, to maintain essential services and assist residents affected by the economic downturn, the Enacted Budget includes a package of tax increases and other revenue enhancements to help close the budget gap and address the further deterioration in the revenue base.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - REVENUE ACTIONS						
(millions of dollars)						
	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
Revenue Actions	118	5,279	5,397	6,443	4,974	1,110
Temporary PIT Increase	0	3,948	3,948	4,778	3,720	0
Increase 18-A Utility Assessment	0	557	557	557	557	557
Bottle Bill Unclaimed Deposits	0	115	115	115	115	115
Limit Itemized Deductions for High Income Taxpayers	0	140	140	200	150	150
Reform Empire Zones Program	0	90	90	101	113	126
Impose Fee on Non-LLC Partnerships	0	50	50	50	50	50
Impose Sales Tax on Certain Transportation-related Activities	0	26	26	34	34	34
Increase Beer/Wine Tax	0	14	14	14	14	14
Film Credit Restructuring	0	0	0	192	(180)	(228)
Reissue License Plates	0	0	0	129	129	20
All Other Revenue Actions	118	339	457	273	272	272

The most significant actions include:

- Temporary PIT Increase (\$3.9 billion):** The State PIT rate will temporarily increase for higher-income filers for a three-year period from tax year 2009 through tax year 2011. The rate for married couples filing jointly will increase from 6.85 percent to 7.85 percent with incomes above \$300,000 and to 8.97 percent for filers with incomes above \$500,000;
- Increase Utility Assessment (\$557 million):** Increases the current regulatory fee on public utilities, including electric, gas, and water. The action will pay for State regulatory and management oversight by raising the fee from 1/3 of 1 percent to 1 percent of intrastate revenues, expanding the fee to include energy service companies, and establishing an additional 1 percent State energy and utility service conservation assessment, which will expire on March 31, 2014. In recognition of the competitive nature of the telecommunications industry, telecommunications utilities regulated under Public Service Law Section 18-A are exempted from this temporary assessment;

- **Bottle Bill (\$115 million):** Expands the 5-cent deposit on carbonated beverages to include bottled water, and mandates that the State retain 80 percent of all unclaimed bottle deposits;
- **High-Income Itemized Deductions (\$140 million):** Limits the ability of taxpayers with incomes over \$1 million to reduce their tax liability by claiming itemized deductions (\$140 million). Currently, taxpayers with incomes over \$525,000 are allowed to claim 50 percent of the value of itemized deductions. To sustain philanthropic giving, charitable deductions are excluded from this provision and may still be claimed as itemized deductions for the purposes of State income taxes;
- **Empire Zones (\$90 million):** Decertifies “shirt-changers” (that is, firms that change their names to maximize Zone benefits without providing any economic benefit) and firms producing less than \$1 in actual investment and wages for every \$1 in State tax incentives. The Empire Zone program will sunset on June 30, 2010 – one year earlier than in current law;
- **Non-LLC Partnerships (\$50 million):** Imposes a new fee on non-LLC partnerships equal to fee amounts that currently apply to LLCs. Fee amounts will range from \$1,900 to \$4,500. Unlike the current LLC fee, partnerships with New York-source gross income under \$1 million are exempt;
- **Transportation Services (\$26 million):** Broadens the sales tax base to cover certain transportation-related services, such as limousine and black car services, but excludes taxis;
- **Beer/Wine Tax (\$14 million):** Increases the excise tax on wine and beer. The tax on wine would increase from 18.9 cents per gallon to 30 cents per gallon, and the beer tax would increase from 11 cents per gallon to 14 cents per gallon. This translates into approximately 2 cents per bottle of wine and one and one-half cents per six pack of beer. These taxes were last increased in 1991, and are still among the lowest in the nation; and
- **License Plates (\$129 million starting in 2010-11):** Effective April 1, 2010, the license plate reissuance fee is increased from \$15 to \$25, with revenues directed to the General Fund. License plates were last reissued in 2001.

Other revenue actions include increases in the bond issuance charge for public authorities and industrial development agencies; fines related to certain motor vehicle violations; real property transfer fees paid whenever a deed is recorded; and fees for license suspension. The Financial Plan also includes a potential franchise payment in 2011-12 related to the development of a new VLT facility. In addition, the Enacted Budget includes \$350 million in new authorization for the State’s film tax and television production credit, which is intended to help keep entertainment industry jobs in New York State.

The Enacted Budget Financial Plan does not include approximately \$1.2 billion in tax and fee proposals that had been proposed in the Executive Budget. Extraordinary Federal aid was used to eliminate these tax proposals. See “2009-10 All Funds Financial Plan Forecast” herein for more information on tax receipt projections included in the Enacted Budget.

Non-Recurring Resources

The two-year gap-closing plan included approximately \$1 billion in non-recurring resources in 2008-09 and a comparable amount in 2009-10. The 2008-09 gap had to be closed within a three-month period, which severely limited the types of savings measures that were possible.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - NON-RECURRING RESOURCES						
(millions of dollars)						
	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
Non-Recurring Resources	1,064	1,006	2,070	(9)	(64)	(34)
Delay extra MA Cycle (two years)	0	400	400	0	(400)	0
Increase Business Tax Prepayment to 40 Percent	0	333	333	0	0	0
NYPA Transfers	306	170	476	0	(25)	(25)
Equipment Financing	0	104	104	(4)	(4)	(4)
Finance CUNY Payments with Jan-Mar '09 MA Savings	300	(300)	0	0	0	0
EPF Sweep/Capital Bonding	75	50	125	0	0	0
School Aid Overpayment Recoveries	0	80	80	0	0	0
Medicaid Reimbursement of Education Costs	0	20	20	0	0	0
Recoup Overpayments to NYC (General Public Health Works)	11	15	26	0	0	0
Increase Pre-Paid Sales Tax on Cigarettes	0	14	14	0	0	0
Recoup Overpayments to NYC (Early Intervention)	0	9	9	0	0	0
Continue TADA software bonding	0	3	3	0	0	0
VLT Franchise Payment	0	0	0	0	370	0
Fund Sweeps/Other	372	108	480	(5)	(5)	(5)

The largest non-recurring actions over the two year period include:

- **Delay of the 53rd Medicaid Cycle Payment (\$400 million):** The 2009-10 fiscal year included 53 weekly cycle payments, compared to the typical 52 payments. This action delays the payment of a 53rd cycle until fiscal year 2011-12;
- **Increase Business Tax Prepayment (\$333 million):** Increases the mandatory first installment of tax due from certain business taxpayers from 30 percent to 40 percent of the previous year's tax liability. For most taxpayers, this installment is due in March with the filing of the previous year's tax return. This will not change the amount of tax liability, but simply the timing of payments;
- **New York Power Authority Excess Resources (\$476 million):** Authorizes the transfer of \$476 million to the General Fund (of which \$306 million was received in 2008-09 and \$170 million is planned in 2009-10). Of this amount, \$215 million represents funds that were reserved by NYPA to pay for the disposal of waste at a Federal repository. It is anticipated that NYPA will not need these funds for several years. The remaining transfer represents assets not necessary to meet NYPA's short term operating, capital or debt service costs;
- **Equipment Financing (\$104 million):** Authorizes the use of bond financing for eligible capital projects that were originally planned to be paid for with cash resources. DOB will make an annual determination on the financing for equipment, depending on Financial Plan needs, market conditions and debt management considerations; and
- **City University (no net impact):** To realize the benefit of health care savings in the DRP that were applicable to the final quarter of the 2008-09 fiscal year, but where the cash savings would occur in 2009-10, the State adjusted its reimbursement schedule to New York City related to the City University. Certain payments that were due in the first quarter of 2009-10, but that had been budgeted in 2008-09, will be made on their statutory due dates, not ahead of schedule. There is no net impact over the two fiscal years.

Other non-recurring resources consist of transfers of existing fund balances, cost-recoveries for overpayments in prior years, and other routine transactions.

Extraordinary Federal Aid

The gap-closing plan included \$6.15 billion in fiscal relief that the Federal government is providing to the State under ARRA to stabilize State finances and help prevent reductions in essential services. Direct Federal aid for fiscal relief consists of the increase in the Federal matching rate for eligible State Medicaid expenditures and funds provided through the SFSF to restore proposed reductions in education and higher education and to maintain other essential government services. By law, the direct Federal fiscal relief must be used effectively and expeditiously to promote economic recovery, and may not be allocated for other purposes, such as funding reserves or paying down debt.

The ARRA increased the Federal government contribution, or matching rate, on eligible State Medicaid expenditures for the period from October 1, 2008 through December 31, 2010. The FMAP benefit to the State in 2008-09 totaled \$1.3 billion, and is projected at \$3.7 billion in 2009-10. In the Financial Plan, every \$1 increase in the Federal matching rate corresponds to a \$1 decrease in required State support for Medicaid, thus creating General Fund fiscal relief. In addition, since all Federal Medicaid payments must flow through the State's Financial Plan, the increase in FMAP results in an increase in the "pass-through" of more Federal aid to counties and New York City, which contribute to the financing of the State's Medicaid program. This pass-through amount totaled \$440 million in 2008-09 and is projected at \$1.4 billion in 2009-10. See "Spending Levels" herein for a discussion of the impact of Federal aid on State All Funds spending in 2009-10.

The SFSF is expected to provide \$1.15 billion in fiscal relief in 2009-10. The SFSF consists of two parts: an Education Fund, which must be used to restore proposed reductions in education and higher education, and an Other Governmental Services Fund, which must be used to maintain essential government services. Direct Federal fiscal relief from the Education Fund is projected to total \$876 million in 2009-10. Fiscal relief from the other Governmental Services Fund is expected to total \$274 million in 2009-10. This aid adds \$1.15 billion in spending to the All Funds budget.

Lastly, a substantial amount of Federal aid will flow to the State – and through the State Financial Plan to end recipients – that has no direct impact on the State's budget gaps. In addition, Federal spending is affected by the timing of certain transactions, including the approval of State health care initiatives, and the Federal match on spending restorations authorized in the Enacted Budget. In 2009-10, the State expects to receive extraordinary Federal aid of approximately \$4.6 billion. Extraordinary Federal aid increases the State's All Funds budget, but has no relationship to the gap-closing plan. In addition, a substantial amount of other Federal aid that affects spending from Federal funds, but which has no impact on the budget gaps, will pass through the State's All Funds Financial Plan in 2009-10 and 2010-11. Most of this is related to the ARRA, but also reflects the timing of Federal aid payments, changes in distribution patterns, and other factors.

Spending Levels

General Fund disbursements, including transfers to other funds, are expected to total \$54.9 billion, an increase of \$301 million (0.6 percent) from 2008-09 results. Projected General Fund spending has been reduced by \$8.7 billion compared to the current services forecast. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total \$78.7 billion in 2009-10, an increase of \$574 million (0.7 percent) over 2008-09 results. State Operating Funds spending in the Enacted Budget Financial Plan has been reduced by \$9.4 billion compared to the current services forecast.

TOTAL DISBURSEMENTS (millions of dollars)							
	2008-09 Results **	2009-10 Base	Before Actions **		2009-10 Enacted	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
General Fund *	48,436	57,136	8,700	18.0%	49,449	1,013	2.1%
Other State Funds	25,146	25,804	658	2.6%	24,075	(1,071)	-4.3%
Debt Service Funds	4,586	5,214	628	13.7%	5,218	632	13.8%
All Governmental Funds	121,572	132,753	11,181	9.2%	131,935	10,363	8.5%
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
Capital Projects Funds	6,830	7,983	1,153	16.9%	8,832	2,002	29.3%
Federal Operating Funds	36,574	36,616	42	0.1%	44,361	7,787	21.3%
General Fund, including Transfers	54,607	63,565	8,958	16.4%	54,908	301	0.6%

* Excludes transfers.

** Unaudited Results.

The Federal ARRA and other Federal aid substantially increase All Funds spending in 2009-10. In total, Federal aid is responsible for \$7.2 billion of the projected All Funds increase above the Executive Budget proposal. In addition, growing costs in Medicaid caseload and utilization trends, which are directly related to the economic downturn, add an additional \$1.4 billion in projected costs on an All Funds basis. Therefore, extraordinary Federal aid and accelerating Medicaid entitlement costs together comprise \$8.6 billion of the total increase in All Funds spending.

General Fund Balances

The State ended 2008-09 with a General Fund balance of \$1.9 billion. The State expects to use approximately \$570 million in available balances to finance operations in 2009-10, resulting in a projected year-end balance of \$1.4 billion on March 31, 2010. Funds reserved by DOB for debt management purposes may also be spent during the 2009-10 fiscal year, depending on market conditions.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)			
	2008-09 Results*	2009-10 Enacted	Change
Projected Year-End Fund Balance	1,948	1,378	(570)
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Reserved for Debt Reduction	73	73	0
Community Projects Fund	145	78	(67)
Remaining Reserve for 2009-10 Use	340	0	(340)
2008-09 Timing Related Changes	163	0	(163)

The timing of payments reflects differences between planned and actual disbursements that occur in any fiscal year. Approximately \$163 million in payments that were planned to occur in 2008-09 are now budgeted in 2009-10. The State manages its cash balances to meet these payments. The table below summarizes the General Fund payments budgeted in 2008-09 but now expected to be made in the 2009-10 fiscal year.

2008-09 YEAR-END RESULTS	
GENERAL FUND TIMING RELATED CHANGES	
DECREASE/(INCREASE)	
(millions of dollars)	
Timing Related Changes	163
Non-public School Aid	51
Other Education programs, including school aid	45
PBA labor settlement	44
Lower Medicaid spending	23
Taxes on State Owned Lands	27
Higher capital spending	(44)
All Other	17

HCRA ended the 2008-09 fiscal year with a balance of \$240 million. It is expected that HCRA will use this balance to finance spending in 2009-10, including \$205 million in payments that were originally planned to occur in 2008-09. See the “HCRA Financial Plan” herein for more information.

2009-10 General Fund Financial Plan and OutYear Projections

DOB projects that the Enacted Budget Financial Plan is balanced in the General Fund in 2009-10 and projects outyear budget gaps of \$2.2 billion in 2010-11, \$8.8 billion in 2011-12, and \$13.7 billion in 2012-13.

After actions, General Fund spending is projected to grow at an average annual rate of 7.2 percent from 2008-09 through 2012-13. Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting a return to a lower Federal match rate for Medicaid expenditures on January 1, 2010, which will increase General Fund costs. The spending is driven by Medicaid growth, rising costs for education, the State-financed cap on local Medicaid spending, employee and retiree health benefits, and child welfare programs. The receipts growth is consistent with DOB’s economic forecast for the recession and recovery. The temporary PIT increase, which covers calendar years 2009 through 2011, is expected to provide substantial additional receipts through fiscal year 2011-12. The following table summarizes the General Fund projections by major tax and Financial Plan category.

OUTYEAR GENERAL FUND PROJECTIONS (millions of dollars)								
	<u>2009-10</u>	<u>2010-11</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>	<u>2011-12</u>	<u>Annual % Change</u>	<u>2012-13</u>	<u>Annual % Change</u>
Receipts								
Taxes	49,788	53,151	3,363	6.8%	54,747	3.0%	54,471	-0.5%
Personal Income Tax*	32,533	35,144	2,611	8.0%	36,026	2.5%	34,735	-3.6%
User Taxes and Fees*	10,721	11,073	352	3.3%	11,537	4.2%	11,932	3.4%
Business Taxes	5,495	5,828	333	6.1%	5,925	1.7%	6,398	8.0%
Other Taxes*	1,039	1,106	67	6.4%	1,259	13.8%	1,406	11.7%
Miscellaneous Receipts	3,381	3,022	(359)	-10.6%	3,017	-0.2%	3,043	0.9%
Other Transfers	1,169	723	(446)	-38.2%	684	-5.4%	695	1.6%
Total Receipts	<u>54,338</u>	<u>56,896</u>	<u>2,558</u>	<u>4.7%</u>	<u>58,448</u>	<u>2.7%</u>	<u>58,209</u>	<u>-0.4%</u>
Disbursements								
Grants to Local Governments:	37,086	39,664	2,578	7.0%	46,467	17.2%	50,283	8.2%
School Aid	18,019	18,787	768	4.3%	19,738	5.1%	21,953	11.2%
Total Medicaid (incl. administration)	<u>6,401</u>	<u>8,640</u>	<u>2,239</u>	<u>35.0%</u>	<u>13,536</u>	<u>56.7%</u>	<u>14,644</u>	<u>8.2%</u>
Medicaid (before local relief)	5,440	7,327	1,887	34.7%	11,827	61.4%	12,479	5.5%
Medicaid Cap/FHP Takeover	961	1,313	352	36.6%	1,709	30.2%	2,165	26.7%
Higher Education	2,837	2,578	(259)	-9.1%	2,718	5.4%	2,763	1.7%
Mental Hygiene	2,148	2,266	118	5.5%	2,407	6.2%	2,534	5.3%
Children and Family Services	1,823	1,968	145	8.0%	2,170	10.3%	2,313	6.6%
Other Education Aid	1,640	1,617	(23)	-1.4%	1,841	13.9%	1,925	4.6%
Temporary and Disability Assistance	1,275	1,301	26	2.0%	1,341	3.1%	1,428	6.5%
Local Government Assistance	1,135	1,130	(5)	-0.4%	1,134	0.4%	1,137	0.3%
Public Health	653	578	(75)	-11.5%	598	3.5%	635	6.2%
All Other	1,155	799	(356)	-30.8%	984	23.2%	951	-3.4%
State Operations:	<u>8,659</u>	<u>8,925</u>	<u>266</u>	<u>3.1%</u>	<u>9,175</u>	<u>2.8%</u>	<u>9,312</u>	<u>1.5%</u>
Personal Service	6,465	6,621	156	2.4%	6,801	2.7%	6,870	1.0%
Non-Personal Service	2,194	2,304	110	5.0%	2,374	3.0%	2,442	2.9%
General State Charges	<u>3,704</u>	<u>4,042</u>	<u>338</u>	<u>9.1%</u>	<u>4,344</u>	<u>7.5%</u>	<u>4,760</u>	<u>9.6%</u>
Pensions	1,148	1,412	264	23.0%	1,525	8.0%	1,654	8.5%
Health Insurance:								
Active Employees	1,712	1,906	194	11.3%	2,056	7.9%	2,217	7.8%
Retired Employees	1,123	1,247	124	11.0%	1,348	8.1%	1,456	8.0%
Fringe Benefit Escrow	(2,247)	(2,435)	(188)	8.4%	(2,534)	4.1%	(2,541)	0.3%
All Other	1,968	1,912	(56)	-2.8%	1,949	1.9%	1,974	1.3%
Transfers to Other Funds:	<u>5,459</u>	<u>6,391</u>	<u>932</u>	<u>17.1%</u>	<u>7,265</u>	<u>13.7%</u>	<u>7,690</u>	<u>5.8%</u>
State Share Medicaid	2,362	2,388	26	1.1%	2,887	20.9%	2,888	0.0%
Debt Service	1,783	1,762	(21)	-1.2%	1,739	-1.3%	1,725	-0.8%
Capital Projects	551	1,162	611	110.9%	1,319	13.5%	1,491	13.0%
All Other	763	1,079	316	41.4%	1,320	22.3%	1,586	20.2%
Total Disbursements	<u>54,908</u>	<u>59,022</u>	<u>4,114</u>	<u>7.5%</u>	<u>67,251</u>	<u>13.9%</u>	<u>72,045</u>	<u>7.1%</u>
Change in Reserves								
Timing Related Reserve	(163)	0			0		0	
Prior Year Reserves	(340)	0			0		0	
Community Projects Fund	(67)	55			(41)		(92)	
Deposit to/(Use of) Reserves	<u>(570)</u>	<u>55</u>			<u>(41)</u>		<u>(92)</u>	
General Fund Budget Surplus/(Gap) Estimate	<u>0</u>	<u>(2,181)</u>			<u>(8,762)</u>		<u>(13,744)</u>	
Add: HCRA Operating Surplus	<u>0</u>	<u>15</u>			<u>5</u>		<u>38</u>	
Combined Budget Surplus/(Gap) Estimate	<u>0</u>	<u>(2,166)</u>			<u>(8,757)</u>		<u>(13,706)</u>	

* Includes transfers after debt service.

In evaluating the State’s outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State’s future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2010-11 is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

The following table provides a “zero-based” look at the causes of the 2010-11 General Fund budget gap. Detailed explanations of the assumptions underlying the outyear revenue and spending projections appear below.

2010-11 GENERAL FUND ANNUAL CHANGE SAVINGS/(COSTS) (millions of dollars)				
	<u>2009-10</u>	<u>2010-11</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
RECEIPTS GROWTH	54,338	56,896	2,558	4.7%
Personal Income Tax*	32,533	35,144	2,611	8.0%
User Taxes and Fees*	10,721	11,073	352	3.3%
Business Taxes	5,495	5,828	333	6.1%
Other Taxes*	1,039	1,106	67	6.4%
Miscellaneous Receipts/Federal Grants	3,381	3,022	(359)	-10.6%
All Other Transfers	1,169	723	(446)	-38.2%
<i>* Includes transfers after debt service</i>				
DISBURSEMENTS GROWTH	54,908	59,022	4,114	7.5%
Local Assistance	37,086	39,664	2,578	7.0%
Medicaid (incl. admin)	6,401	8,640	2,239	35.0%
<i>Program Growth/Other</i>	2,026	4,223	2,197	108.4%
<i>Medicaid Cap/Family Health Plus Takeover</i>	961	1,313	352	36.6%
<i>Change in HCRA/Provider Assessment Financing</i>	3,414	3,104	(310)	-9.1%
School Aid	18,019	18,787	768	4.3%
Other Education Aid	1,640	1,617	(23)	-1.4%
Higher Education	2,837	2,578	(259)	-9.1%
Children and Family Services	1,823	1,968	145	8.0%
Mental Hygiene	2,148	2,266	118	5.5%
All Other Local Assistance	4,218	3,808	(410)	-9.7%
State Operations	8,659	8,925	266	3.1%
Personal Service	6,465	6,621	156	2.4%
Non-personal Service	2,194	2,304	110	5.0%
General State Charges	3,704	4,042	338	9.1%
Health Insurance	2,835	3,153	318	11.2%
Pensions	1,148	1,412	264	23.0%
Fringe Benefit Escrow Offset	(2,247)	(2,435)	(188)	8.4%
All Other	1,968	1,912	(56)	-2.8%
Transfers to Other Funds	5,459	6,391	932	
Change in Reserves	570	(55)	(625)	
Timing Related Reserve	163	-	(163)	
Prior Year Reserves	340	-	(340)	
Community Projects Fund	67	(55)	(122)	
"CURRENT SERVICES" BUDGET GAP FOR 2010-11 *			(2,181)	

* Excludes HCRA balance, which is projected to remain positive over the multi-year Financial Plan.

The outyear forecast for 2010-11 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities. DOB believes the estimates of annual change in receipts and disbursements that constitute the current services gap forecast are based on reasonable assumptions and methodologies.

General Fund Outyear Receipts/Projections

Overall, tax receipts growth in the two fiscal years following 2009-10 is expected to grow within a range of 2 to 8 percent. This reflects an economic forecast of a national recovery beginning in the third quarter of 2009 with many aspects of New York State's recovery lagging into 2010. The receipts growth is supported significantly by revenue actions in the Budget, including the three-year temporary increase in PIT rates. Tax receipts in 2012-13 are expected to decline slightly, primarily due to the expiration of the temporary rate increase.

- Total General Fund receipts are projected to reach \$56.9 billion in 2010-11, \$58.4 billion in 2011-12 and \$58.2 billion in 2012-13.
- Total State Funds receipts are projected to be approximately \$85.9 billion in 2010-11, \$89.0 billion in 2011-12 and \$88.6 billion in 2012-13.
- Total All Funds receipts in 2010-11 are projected to reach \$134.6 billion, an increase of \$4.0 billion, or 3 percent over 2009-10 estimates. All Funds receipts in 2011-12 are expected to decrease by \$2.4 billion (1.7 percent) over the prior year. In 2012-13, receipts are expected to decrease by \$1.1 billion (0.8 percent) from 2011-12 projections.
- All Funds tax receipts are expected to increase by 6.2 percent in 2010-11, 3.3 percent in 2011-12, and 0.3 percent in 2012-13.

General Fund Outyear Disbursement Projections

DOB forecasts General Fund spending of \$59 billion in 2010-11, an increase of \$4.1 billion (7.5 percent) over estimated 2009-10 levels. Growth in 2011-12 is projected at \$8.2 billion (13.9 percent) and in 2012-13 at \$4.8 billion (7.1 percent). The growth levels are based on current services projections, as modified by the actions contained in the 2009-10 Enacted Budget. They do not incorporate any estimate of potential new actions to control spending in future years.

General Fund Grants to Local Governments

Annual growth in local assistance over the plan period is driven primarily by Medicaid (including administrative costs and local cost sharing), school aid and aid for children and family services. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING LOCAL ASSISTANCE						
(millions of dollars, where applicable)						
	Results		Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Medicaid						
Medicaid Coverage	3,559,381	3,691,391	3,983,166	4,271,459	4,564,665	4,861,432
Family Health Plus Coverage	518,189	424,949	424,788	460,584	552,384	552,384
Child Health Plus Coverage	360,436	381,303	428,220	437,220	446,220	455,220
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.0%	-2.4%	1.8%	5.8%	5.0%	4.0%
State Takeover of County/NYC Costs (Total)	\$564	\$724	\$961	\$1,313	\$1,709	\$2,165
- Family Health Plus	\$396	\$424	\$445	\$477	\$507	\$518
- Medicaid	\$168	\$300	\$516	\$836	\$1,202	\$1,647
Education						
School Aid (School Year)	\$19,747	\$21,452	\$21,857	\$22,420	\$23,990	\$26,170
Public Higher Education Enrollment	512,362	537,190	542,509	546,547	550,616	554,558
Tuition Assistance Program Recipients	309,320	312,362	312,655	313,155	313,655	314,000
Welfare						
Family Assistance Caseload	372,964	350,370	351,718	354,609	357,608	359,485
Single Adult/No Children Caseload	150,447	144,591	152,033	160,380	165,546	170,609
Mental Hygiene						
Office of Mental Health	30,088	31,570	33,170	34,766	35,898	37,429
OMRDD	34,571	35,248	36,162	37,220	38,101	38,756
OASAS	15,553	15,561	16,047	16,457	16,517	16,577
Total - Mental Hygiene Community Beds	80,212	82,379	85,379	88,443	90,516	92,762

Medicaid

General Fund spending for Medicaid is expected to grow by \$2.2 billion in 2010-11, \$4.9 billion in 2011-12, and another \$1.1 billion in 2012-13, which includes a reduction in the State share resulting from the enhanced FMAP provided through the Federal ARRA.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID								
(millions of dollars)								
	2009-10	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Base Growth Before Enhanced FMAP	14,057	15,608	1,551	11.0%	17,601	12.8%	18,834	7.0%
Enhanced FMAP -- State Share *	(3,155)	(2,883)	272	-8.6%	0	-100.0%	0	-
State Funds Base Growth (After FMAP)	10,902	12,725	1,823	16.7%	17,601	38.3%	18,834	7.0%
Less: Other State Funds Support	4,501	4,085	(416)	-9.2%	4,065	-0.5%	4,190	3.1%
HCRA Financing	2,668	2,238	(430)	-16.1%	2,218	-0.9%	2,343	5.6%
Provider Assessment Revenue	686	700	14	2.0%	700	0.0%	700	0.0%
Indigent Care Revenue	1,147	1,147	0	0.0%	1,147	0.0%	1,147	0.0%
Total General Fund	6,401	8,640	2,239	35.0%	13,536	56.7%	14,644	8.2%
Local Government Relief (incl. above)	961	1,313	352	36.6%	1,709	103.4%	2,165	106.1%

* Excludes enhanced FMAP for other state agencies.

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that affect nearly all categories of service (i.e., hospitals, nursing homes, etc.). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by \$352 million in 2010-11, and \$396 million in 2011-12. In 2011-12, \$2.9 billion of the State Funds spending increase is due to the scheduled cessation of Federal assistance that had been granted to the State in 2009-10 and 2010-11 in accordance with ARRA. In addition, an extra weekly payment to providers deferred from 2009-10 adds \$400 million in base spending across all categories of service in 2011-12.

The average number of Medicaid recipients is expected to grow to 4.27 million in 2010-11, an increase of 7.2 percent from the estimated 2009-10 caseload of 3.98 million. FHP enrollment is estimated to grow to approximately 460,600 individuals in 2010-11, an increase of 8.4 percent over projected 2008-09 enrollment of almost 424,800 individuals.

School Aid

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS (millions of dollars)								
	2009-10	2010-11	Annual \$ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Foundation Aid	14,876	14,876	0	0.0%	15,890	6.8%	17,390	9.4%
Universal Pre-kindergarten	376	376	0	0.0%	460	22.3%	520	13.0%
High Tax Aid	205	205	0	0.0%	100	-51.2%	100	0.0%
EXCEL Building Aid*	165	185	20	12.1%	192	3.8%	192	0.0%
Expense-Based Aids	5,595	6,080	485	8.7%	6,600	8.6%	7,170	8.6%
Other Aid Categories/Initiatives	640	698	58	9.1%	748	7.2%	798	6.7%
Total School Aid	21,857	22,420	563	2.6%	23,990	7.0%	26,170	9.1%

* Represents State debt service costs.

School aid is projected to increase in 2009-10 and beyond. In future years, increases in foundation aid and UPK are also projected primarily due to increases in expense-based aids such as building aid and transportation aid. On a school-year basis, school aid is projected at \$22.4 billion in 2010-11, \$24.0 billion in 2011-12, and \$26.2 billion in 2012-13. On a State fiscal-year basis, General Fund school aid spending is projected to grow by \$768 million in 2010-11, \$951 million in 2011-12, and \$2.2 billion in 2012-13.

Outside the General Fund, revenues from core lottery sales are projected to increase by \$27 million in 2010-11, \$67 million in 2011-12, and \$106 million in 2012-13 (totaling \$2.5 billion in 2012-13). Revenues from VLTs are projected to increase by \$68 million in 2010-11, \$657 million in 2011-12 and decrease by \$260 million in 2012-13 (totaling \$944 million in 2012-13). VLT estimates for 2011-12 assume the one-time receipt of \$370 million in additional revenues from the State's sale of operating rights at a VLT facility, and assume the start of operations at Aqueduct in 2011, and Belmont by 2012.

Mental Hygiene

Mental hygiene spending is projected at \$2.3 billion in 2010-11, \$2.4 billion in 2011-12, and \$2.5 billion in 2012-13. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems including the OMH’s children’s services; increases in the NYS-CARES program and in the development of children’s beds in OMRDD to bring children back from out-of-state placements; the New York/New York III Supportive Housing agreement and community bed expansion in OMH; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with Rockefeller Drug Law reform.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by \$145 million in 2010-11, \$202 million in 2011-12 and \$143 million in 2012-13. The increases are driven primarily by expected growth in local claims-based programs, including child welfare.

Temporary and Disability Assistance

Spending is projected at \$1.3 billion in 2010-11, and is expected to increase to \$1.4 billion by 2012-13, primarily the result of an expected decrease in Federal offsets, which increases the level of General Fund resources needed to fund existing commitments.

General Fund State Operations

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING STATE OPERATIONS						
	Results			Forecast		
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
State Operations						
Prison Population (Corrections)	62,261	61,400	59,500	59,400	59,300	59,300
Negotiated Salary Increases*	3.0%	3.0%	3.0%	4.0%	0.0%	0.0%
Personal Service Inflation	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	199,754	199,916	190,335	190,195	190,195	190,195

* Negotiated salary increases reflect labor settlements included in the Financial Plan estimates.

State Operations spending is expected to total \$8.9 billion in 2010-11, an annual increase of \$266 million (3.1 percent). In 2011-12, spending is projected to grow by another \$250 million (2.8 percent) to a total of \$9.1 billion, followed by another \$137 million (1.5 percent) for a total of \$9.3 billion in 2012-13. The personal service portion of these increases reflects both the impact of the settled labor contracts and potential spending for unsettled unions (assuming comparable agreements to currently-settled unions), salary adjustments for performance advances, longevity payments and promotions; and increased staffing levels. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

The agencies and authorities experiencing the most significant personal service and non-personal service growth are depicted in the charts below, followed by brief descriptions.

Personal Service

GENERAL FUND - PERSONAL SERVICE (millions of dollars)					
	<u>2009-10</u>	<u>2010-11</u>	<u>Annual \$ Change</u>	<u>2011-12</u>	<u>2012-13</u>
Total	6,465	6,621	156	6,801	6,870
Potential Labor Settlements	400	275	(125)	275	275
Workforce Reduction	(191)	(219)	(28)	(219)	(219)
Judiciary	1,500	1,681	181	1,829	1,862
State University	806	876	70	895	913
Correctional Services	1,773	1,807	34	1,803	1,807
Tax and Finance	281	296	15	296	296
State Police	453	420	(33)	420	420
All Other	1,443	1,485	42	1,502	1,516

- **Potential Labor Settlements:** The Financial Plan includes spending for potential settlements with unions that have not yet reached agreement with the State. The spending assumes settlements at the same terms that have been ratified by settled unions.
- **Workforce Reduction:** Reflects the WRP and the elimination of 2009-10 general salary increase, merit awards, longevity payments, and performance advances for most non-unionized employees.
- **Judiciary:** Reflects projections of anticipated needs for OCA.
- **State University:** Primarily reflects negotiated salary increases and increased investment in operations afforded by tuition increases.
- **Correctional Services:** Growth reflects facility closures, reductions in force, and ongoing cost controls.
- **Department of Taxation and Finance:** Changes reflect the annualization of additional full-time employees added for enhanced audit activity and information technology purposes.
- **State Police:** The higher spending in 2009-10 over 2010-11 is driven by the retroactive component of the PBA labor contract settlement expected to be paid in 2009-10.

Non-Personal Service

GENERAL FUND - NON-PERSONAL SERVICE (millions of dollars)					
	<u>2009-10</u>	<u>2010-11</u>	<u>Annual \$ Change</u>	<u>2011-12</u>	<u>2012-13</u>
Total	2,194	2,304	110	2,374	2,442
Correctional Services	615	643	28	666	700
State Police	50	55	5	80	74
Public Health	127	146	19	150	150
State University	364	379	15	397	421
All Other	1,038	1,081	43	1,081	1,097

- **Correctional Services:** Growth is primarily driven by the escalating costs of food, fuel, utilities, and providing health care services and prescription drugs to inmates.
- **State Police:** Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds, that will be supported by General Fund revenues in 2009-10.
- **Public Health:** Growth is largely driven by the annualization of funding for the State to directly enroll individuals into Medicaid, CHP and FHP.
- **State University:** Primarily reflects funding for inflationary increases in non-personal service at SUNY.

General Fund General State Charges

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING GENERAL STATE CHARGES						
	Results		Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General State Charges						
Pension Contribution Rate as % of Salary	9.7%	8.8%	7.6%	10.5%	11.4%	11.5%
Rate of Growth Employee/Retiree Health Insurance	5.4%	4.9%	6.6%	10.5%	8.5%	8.5%

GSCs are projected to total \$4.0 billion in 2010-11, \$4.3 billion in 2011-12 and \$4.8 billion in 2012-13. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State’s pension contribution rate to the New York State and Local Retirement System, which is 7.6 percent for 2009-10, is expected to increase to 10.5 percent for 2010-11, 11.4 percent for 2011-12 and 11.5 percent in 2012-13. Pension costs in 2010-11 are projected to total \$1.4 billion, an increase of \$264 million over 2009-10. In 2011-12, costs are projected to increase an additional \$113 million to total \$1.5 billion. In 2012-13, they are expected to increase by \$129 million to total \$1.7 billion. Growth in all years is driven by anticipated increases in the employer contribution rate.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)			
Health Insurance			
Active			
Year	Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Unaudited Results)	1,639	1,068	2,707
2009-10 (Projected)	1,712	1,123	2,835
2010-11 (Projected)	1,906	1,247	3,153
2011-12 (Projected)	2,056	1,348	3,404
2012-13 (Projected)	2,217	1,456	3,673

All numbers reflect the cost of health insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration.

Spending for employee and retiree health care costs is expected to increase by \$318 million in 2010-11, \$251 million in 2011-12, and another \$269 million in 2012-13, and assumes an average annual premium increase of approximately 8.0 percent. Health insurance is projected at \$3.2 billion in 2010-11 (\$1.9 billion for active employees and \$1.25 billion for retired employees), \$3.4 billion in 2011-12 (\$2.1

billion for active employees and \$1.3 billion for retired employees), and \$3.7 billion in 2012-13 (\$2.2 billion for active employees and \$1.5 billion for retired employees).

See discussion of the GASB Statement 45 later in this AIS for the valuation of future State health insurance costs for State employees.

General Fund Transfers to Other Funds

OUTYEAR DISBURSEMENT PROJECTIONS - TRANSFERS TO OTHER FUNDS (millions of dollars)					
	2009-10	2010-11	Annual \$ Change	2011-12	2012-13
Transfers to Other Funds:	5,459	6,391	932	7,265	7,690
Medicaid State Share	2,362	2,388	26	2,887	2,888
Debt Service	1,783	1,762	(21)	1,739	1,725
Capital Projects	551	1,162	611	1,319	1,491
Dedicated Highway and Bridge Trust Fund	383	763	380	842	923
All Other Capital	168	399	231	477	568
All Other Transfers	763	1,079	316	1,320	1,586
Mental Hygiene	12	295	283	494	705
Medicaid Payments for State Facility Patients	193	193	0	193	193
Judiciary Funds	149	150	1	156	161
SUNY- Hospital Operations	135	134	(1)	167	167
Banking Services	66	66	0	66	66
Empire State Stem Cell Trust Fund	16	13	(3)	-	56
Statewide Financial System	0	35	35	50	60
All Other	192	193	1	194	178

In 2010-11, transfers to other funds are estimated at \$6.4 billion, an increase of \$932 million over 2009-10. This includes increased transfers to the DHBTF (see additional discussion below), capital projects funds, and the mental hygiene system. In addition, transfers are increasing to fund the development of the State’s new financial management system.

In 2011-12, transfers to other funds are expected to increase by \$874 million. This increase reflects projected Medicaid State Share transfers without the benefit of the Federal ARRA package (or enhanced FMAPs), and expected increases in transfers to supplement resources available for the mental hygiene system. In 2012-13, transfers are expected to increase by \$425 million, mainly to supplement resources available to the mental hygiene system and subsidize the DHBTF, as well as funding for stem cell research.

Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected

revenue deposits and bond proceeds. The AIS presents a revised forecast for the General Fund subsidy to reflect Enacted Budget Financial Plan projections. The subsidy is projected at \$763 million for 2010-11 and \$842 million for 2011-12, with continued growth thereafter.

Financial Plan Reserves

In January 2007, the State created a new statutory Rainy Day Reserve that has an authorized balance of 3 percent of General Fund spending. The Rainy Day Reserve may be used to respond to an economic downturn or catastrophic event. The State made its first deposit of \$175 million in 2007-08. The Tax Stabilization Reserve has an authorized balance of 2 percent of General Fund spending and can be used only to cover unforeseen year-end deficits.

The State projects that General Fund reserves will total \$1.4 billion at the end of 2009-10, with \$1.2 billion in undesignated reserves available to deal with unforeseen contingencies and \$151 million designated for subsequent use.

The \$1.2 billion of undesignated reserves includes a balance of \$1 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, and \$21 million in the Contingency Reserve Fund for litigation risks.

The designated reserves consist of \$78 million in the Community Projects Fund to finance existing "member-item" initiatives, and \$73 million set aside for the debt management purposes.

Cash Flow Forecast

In 2009-10, the General Fund is projected to have quarterly-ending balances of \$111 million in June 2009, \$2.8 billion in September 2009, \$1.2 billion in December 2009, and \$1.4 billion at the end of March 2010. The lowest projected month-end cash flow balance is in June 2009. DOB's detailed monthly cash flow projections for 2009-10 are set forth in the Financial Plan tables.

OSC invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Enacted Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The Enacted Budget includes new loan authorization for the General Fund, as described above.

The total outstanding loan balance was \$1.6 billion on March 31, 2009. This was comprised of advances to finance capital spending that will be reimbursed by bond proceeds or Federal grants (\$808 million), activities financed by the State in the first instance that will be reimbursed by Federal aid (\$411 million), and loans across several State Special Revenue Funds (\$279 million) and Proprietary Funds (\$53 million).

The total loan balance typically increases throughout the State fiscal year, reaching its peak between the second and third quarters. The spike mainly reflects the payment of lottery aid for education, which is financed in large part by a loan that is repaid over the course of the year as lottery revenues are received.

2009-10 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2009-10 Enacted Budget agreement. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current-services spending and the impact of the Budget on the State's major areas of spending. Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

2009-10 Receipts Forecast

Financial Plan receipts comprise a variety of taxes, fees, charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB on a multi-year basis with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts.

Overview of the Revenue Situation

- The current economic slowdown has broadened to virtually every sector of the New York State economy except for education, health care and social assistance. As a result, DOB anticipates that weaker employment, declining corporate earnings, reduced household spending and lower real estate activity will negatively impact State revenue in 2009-10.
- Base receipt growth over the period 2006-07 to 2008-09, supported by a strong financial services sector and real estate market, averaged 5.3 percent. However, the current decline in economic activity is estimated to negatively impact receipt growth for 2009-10 and 2010-11. As a result, base tax receipts (adjusting for law changes) are expected to fall 6.5 percent in 2009-10 and grow by 4.8 percent in 2010-11.
- The negative impact of the depressed equity and real estate markets on the State's economy in general and the financial services industry in particular is expected to result in major declines in bonus payouts during the current fiscal year (down 20 percent from prior year) and reduced growth in business tax receipts over the remaining years of the Financial Plan.
- The volatile real estate and financial markets represent even greater risks to revenues due to the high concentration of taxable income among a relatively small segment of the taxpaying population.
- The decline in the residential housing market is projected to largely eliminate the surge in taxable capital gains realizations associated with real estate sales that characterized the last few years.
- The economy is expected to continue to decline, and as a result, 2009-10 growth in PIT withholding and sales tax collections will be weak absent the legislation enacted with the Budget.
- The combined impact of the declining real estate and financial markets and the deepening recession results in estimated declines in PIT liability of 9.8 percent in the 2008 tax year, and 11.7 percent in the 2009 tax year, before the impact of the temporary rate increase effective in 2009.
- The broadening impact of the economic slowdown has reduced consumption of durable goods, non-durable goods and taxable services. In addition, the outlook for the nominal value of cars

purchased and disposable income have deteriorated, all negatively impacting growth in the sales tax revenue base.

- The large audit settlements associated with financial service industry firms continued into 2008-09 but are expected to be largely concluded before 2009-10, and this loss of resources must be compensated for by other tax compliance actions included with the Budget.

All Funds receipts are projected to total \$130.6 billion, an increase of \$11.3 billion over 2008-09 results. The following table summarizes the receipts projections for 2009-10 and 2010-11.

TOTAL RECEIPTS (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund	53,801	54,338	537	1.0%	56,896	2,558	4.7%
Taxes	38,301	39,401	1,100	2.9%	42,218	2,817	7.1%
Miscellaneous Receipts	3,105	3,381	276	8.9%	3,022	(359)	-10.6%
Federal Grants	45	0	(45)	-100.0%	0	0	0.0%
Transfers	12,350	11,556	(794)	-6.4%	11,656	100	0.9%
State Funds	80,265	82,675	2,410	3.0%	85,885	3,210	3.9%
Taxes	60,337	60,647	310	0.5%	64,383	3,736	6.2%
Miscellaneous Receipts	19,883	22,027	2,144	10.8%	21,501	(526)	-2.4%
Federal Grants	45	1	(44)	-97.8%	1	0	0.0%
All Funds	119,235	130,550	11,315	9.5%	134,554	4,004	3.1%
Taxes	60,337	60,647	310	0.5%	64,383	3,736	6.2%
Miscellaneous Receipts	20,064	22,185	2,121	10.6%	21,653	(532)	-2.4%
Federal Grants	38,834	47,718	8,884	22.9%	48,518	800	1.7%

* Unaudited Year-End Results.

Base growth in tax receipts is estimated to decline 6.5 percent adjusted for law changes for fiscal year 2009-10 and rise by 4.8 percent for 2010-11. Overall base growth in tax receipts is dependent on many factors. For several years prior to fiscal year 2008-09 the most important factors supporting tax receipt growth were related to:

- Improvements in overall economic activity, especially in New York City and surrounding counties;
- Continued profitability and compensation gains of financial services companies;
- Continued growth in the downstate commercial real estate market; and
- Continued positive impact of high-income taxpayers on PIT growth.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund**	23,196	24,404	1,208	5.2%	26,612	2,208	9.0%
Gross Collections	44,011	44,070	59	0.1%	47,558	3,488	7.9%
Refunds/Offsets	(7,171)	(6,832)	339	-4.7%	(7,435)	(603)	8.8%
STAR	(4,434)	(3,524)	910	-20.5%	(3,480)	44	-1.2%
RBTf	(9,210)	(9,310)	(100)	1.1%	(10,031)	(721)	7.7%
State/All Funds	36,840	37,238	398	1.1%	40,123	2,885	7.7%
Gross Collections	44,011	44,070	59	0.1%	47,558	3,488	7.9%
Refunds	(7,171)	(6,832)	339	-4.7%	(7,435)	(603)	8.8%

* Unaudited Year-End Results.

** Excludes Transfers.

All Funds PIT receipts, which reflect gross payments minus refunds, are estimated at \$37.2 billion for 2009-10, a \$398 million increase from the prior year. This is primarily attributable to an increase in withholding of \$2.9 billion due to the three-year temporary increase in tax rates adopted in the Enacted Budget Plan. The increase is partially offset by decreases in extension payments and final payments for tax year 2008 of \$2.5 billion (53 percent) and \$565 million (22.6 percent), respectively. The decrease reflects the extraordinary weak settlement in tax year 2008 returns attributable to the declining economy. Estimated payments for tax year 2009 are projected to increase by \$50 million (0.6 percent), with the increase entirely due to the impact of the temporary tax rate increase. Receipts from delinquencies are projected to increase \$166 million over the prior year while refunds are estimated to decline by \$339 million (4.7 percent). The following table summarizes, by component, actual receipts for 2008-09 and forecast amounts through 2012-13.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)					
	2008-09 (Results)*	2009-10 (Enacted)	2010-11 (Projected)	2011-12 (Projected)	2012-13 (Projected)
Receipts					
Withholding	27,686	30,626	31,063	32,350	32,949
Estimated Payments	12,690	10,193	13,033	13,285	11,945
Current Year	7,889	7,938	9,605	9,932	8,675
Prior Year*	4,801	2,255	3,428	3,353	3,270
Final Returns	2,686	2,136	2,293	2,459	2,637
Current Year	192	207	207	207	207
Prior Year**	2,494	1,929	2,086	2,252	2,430
Delinquent					
Collections	949	1,115	1,169	1,207	1,247
Gross Receipts	44,011	44,070	47,558	49,301	48,777
Refunds					
Prior Year*	4,544	4,238	4,823	5,109	5,352
Previous Years	402	344	324	324	324
Current Year*	1,750	1,750	1,750	1,750	1,750
State-City Offset*	475	500	538	621	712
Total Refunds	7,171	6,832	7,435	7,804	8,138
Net Receipts	36,840	37,238	40,123	41,497	40,639

* Unaudited Year-End Results

** These components, collectively, are known as the "settlement" on the prior year's tax liability.

The table below shows the tax liability and fiscal impacts of the temporary tax rate increase by components.

TEMPORARY PERSONAL INCOME TAX INCREASE					
ALL FUNDS					
(millions of dollars)					
Tax Year		Fiscal Year			Liability Totals
		2009-10	2010-11	2011-12	
2009	Withholding	2,340	0	0	
	Estimated Tax	937	0	0	
	Settlement	0	623	0	
	Total	3,277	623	0	3,900
2010	Withholding	671	1,494	0	
	Estimated Tax	0	1,818	0	
	Settlement	0	0	348	
	Total	671	3,312	348	4,331
2011	Withholding	0	843	1,686	
	Estimated Tax	0	0	1,686	
	Settlement	0	0	0	
	Total	0	843	3,372	4,215
Cash Total		3,948	4,778	3,720	12,446

All Funds income tax receipts of \$40.1 billion for 2010-11 are projected to increase \$2.9 billion or 7.7 percent from the prior year. Gross receipts are projected to grow 7.9 percent, largely reflecting projected increases in tax year 2010, estimated payments of \$1.7 billion (21.0 percent), extension payments of \$1.2 billion (52.0 percent) and withholding of \$437 million (1.4 percent). Most of the increases in estimated payments and withholding are due to the enacted PIT temporary increase. Payments from final returns for tax year 2009 are projected to increase by \$157 million (8.1 percent) and receipts from delinquencies are projected to increase \$54 million (4.8 percent) over the prior year. Refunds are estimated to grow by \$603 million or 8.8 percent, largely reflecting the impact of tax reductions contained in the Federal ARRA that affect the State's tax base.

General Fund income tax receipts are the net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. General Fund income tax receipts of \$24.4 billion for 2009-10 are expected to increase by \$1.2 billion or 5.2 percent from the prior year. This increase reflects a decrease in STAR deposits of \$910 million as a result of elimination of both the STAR rebate program and associated enhanced NYC STAR credit for 2009-10, partly offset by an increase in deposits to RBTF of \$100 million.

General Fund income tax receipts of \$26.6 billion for 2010-11 are projected to grow by \$2.2 billion, or 9.0 percent over the current year. Along with the increase in All Funds receipts noted above, there is a marginal decrease of \$44 million in STAR deposits. Deposits to the RBTF are expected to increase by 7.7 percent, the same percentage increase as projected for net collections since the deposit equals 25 percent of net collections.

PERSONAL INCOME TAX					
(millions of dollars)					
	2010-11 Projected	2011-12 Projected	Annual \$ Change	2012-13 Projected	Annual \$ Change
General Fund*	26,612	27,447	835	26,625	(822)
Gross Collections	47,558	49,301	1,743	48,777	(524)
Refunds/Offsets	(7,435)	(7,804)	(369)	(8,138)	(334)
STAR	(3,480)	(3,677)	(197)	(3,854)	(177)
RBTF	(10,031)	(10,373)	(342)	(10,160)	213
State/All Funds	40,123	41,497	1,374	40,639	(858)
Gross Collections	47,558	49,301	1,743	48,777	(524)
Refunds	(7,435)	(7,804)	(369)	(8,138)	(334)

* Excludes Transfers.

All Funds income tax receipts of \$41.5 billion for 2011-12 are projected to increase \$1.4 billion, or 3.4 percent over the prior year. Gross receipts are projected to increase 3.7 percent and reflect withholding that is projected to grow by 4.1 percent (\$1.3 billion). Total estimated taxes on prior and current year liabilities will increase by an estimated 1.9 percent (\$252 million). Payments from final returns are expected to increase 7.2 percent (\$166 million). Delinquencies are projected to increase \$38 million or 3.3 percent over the prior year. Growth in total refunds is projected to increase \$369 million or 5.0 percent over the prior year.

General Fund income tax receipts of \$27.4 billion for 2011-12 are projected to increase by \$835 million, or 3.1 percent from 2010-11. General Fund receipts for 2011-12 reflect a \$197 million increase in STAR deposits, and a \$342 million increase in deposits to the RBTF.

All Funds income tax receipts for 2012-13 are projected to be \$40.6 billion. General Fund receipts are projected at \$26.6 billion. Both figures reflect declines from the prior year due to the expiration of the temporary PIT increase after tax year 2011 (with the last fiscal impact of the temporary increase occurring in 2011-12).

User Taxes and Fees

USER TAXES AND FEES (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund**	8,361	8,520	159	1.9%	8,819	299	3.5%
Sales Tax	7,707	7,793	86	1.1%	7,962	169	2.2%
Cigarette and Tobacco Taxes	446	425	(21)	-4.7%	421	(4)	-0.9%
Motor Vehicle Fees	(42)	19	61	-145.2%	149	130	684.2%
Alcoholic Beverage Taxes	206	235	29	14.1%	239	4	1.7%
ABC License Fees	44	48	4	9.1%	48	0	0.0%
State/All Funds	14,004	14,375	371	2.6%	14,793	418	2.9%
Sales Tax	10,985	11,147	162	1.5%	11,386	239	2.1%
Cigarette and Tobacco Taxes	1,340	1,331	(9)	-0.7%	1,324	(7)	-0.5%
Motor Fuel	504	520	16	3.2%	523	3	0.6%
Motor Vehicle Fees	723	876	153	21.2%	1,058	182	20.8%
Highway Use Tax	141	155	14	9.9%	149	(6)	-3.9%
Alcoholic Beverage Taxes	206	235	29	14.1%	239	4	1.7%
ABC License Fees	44	48	4	9.1%	48	0	0.0%
Auto Rental Tax	61	63	2	3.3%	66	3	4.8%

* Unaudited Year-End Results.

** Excludes Transfers.

All Funds user taxes and fee receipts for 2009-10 are estimated to be approximately \$14.4 billion, an increase of \$371 million or 2.6 percent from 2008-09. Sales tax receipts are expected to increase by \$162 million from the prior year due to a base decline of over 2 percent, which is more than offset by tax law changes. Non-sales tax user taxes and fees are estimated to increase by \$209 million from 2008-09 mainly due to tax law changes in motor vehicle fees.

General Fund user taxes and fee receipts are expected to total \$8.5 billion in 2009-10, an increase of \$159 million or 1.9 percent from 2008-09. The increase largely reflects an increase in receipts due to sales tax receipts (\$86 million), motor vehicle fees (\$61 million) and alcoholic beverage taxes (\$29 million), partially offset by a decrease in cigarette tax collections (\$21 million).

All Funds user taxes and fee receipts for 2010-11 are projected to be \$14.8 billion, an increase of \$418 million, or 2.9 percent from 2009-10. This increase largely reflects fee and tax law changes in sales and use tax collections and motor vehicle fees. General Fund user taxes and fee receipts are projected to total \$8.8 billion in 2010-11, an increase of \$299 million, or 3.5 percent from 2009-10. This increase largely reflects fee and tax law changes in sales and use tax collections and motor vehicle fees.

USER TAXES AND FEES (millions of dollars)					
	2010-11 Projected	2011-12 Projected	Annual \$ Change	2012-13 Projected	Annual \$ Change
General Fund*	8,819	9,193	374	9,469	276
Sales Tax	7,962	8,325	363	8,693	368
Cigarette and Tobacco Taxes	421	416	(5)	409	(7)
Motor Vehicle Fees	149	160	11	67	(93)
Alcoholic Beverage Taxes	239	244	5	249	5
ABC License Fees	48	48	0	51	3
State/All Funds	14,793	15,284	491	15,698	414
Sales Tax	11,386	11,864	478	12,383	519
Cigarette and Tobacco Taxes	1,324	1,307	(17)	1,283	(24)
Motor Fuel	523	525	2	528	3
Motor Vehicle Fees	1,058	1,074	16	976	(98)
Highway Use Tax	149	155	6	160	5
Alcoholic Beverage Taxes	239	244	5	249	5
ABC License Fees	48	48	0	51	3
Auto Rental Tax	66	67	1	68	1

* Excludes Transfers.

All Funds user taxes and fees are projected to increase by \$491 million in 2011-12 and then increase by \$414 million in 2012-13. This reflects the proposed fee and tax law changes becoming fully effective.

Business Taxes

BUSINESS TAXES (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund	5,556	5,495	(61)	-1.1%	5,828	333	6.1%
Corporate Franchise Tax	2,755	2,916	161	5.8%	3,211	295	10.1%
Corporation & Utilities Tax	654	729	75	11.5%	690	(39)	-5.3%
Insurance Tax	1,086	1,171	85	7.8%	1,181	10	0.9%
Bank Tax	1,061	679	(382)	-36.0%	746	67	9.9%
State/All Funds	7,604	7,676	72	0.9%	8,045	369	4.8%
Corporate Franchise Tax	3,221	3,374	153	4.8%	3,704	330	9.8%
Corporation & Utilities Tax	863	955	92	10.7%	905	(50)	-5.2%
Insurance Tax	1,181	1,434	253	21.4%	1,471	37	2.6%
Bank Tax	1,233	793	(440)	-35.7%	878	85	10.7%
Petroleum Business Tax	1,106	1,120	14	1.3%	1,087	(33)	-2.9%

* Unaudited Year-End Results.

All Funds business tax receipts for 2009-10 are estimated at \$7.7 billion, an increase of \$72 million, or 0.9 percent from the prior year. The estimates reflect a net increase in receipts of \$585 million resulting from tax law changes. The increase in the prepayment rate from 30 percent to 40 percent for most business taxpayers and the imposition of the insurance premiums tax on for-profit HMOs are the major tax law changes. Absent these provisions, All Funds business tax receipts are expected to decline by \$513 million or 6.7 percent. The majority of this decline is in the corporate franchise tax and the bank tax. Corporate profits are expected to decline 22 percent in calendar year 2009 although the related revenue decline will be far less due to a higher proportion of taxpayers filing under non-income tax bases. Bank tax receipts in 2008-09 were bolstered by one-time receipts from the three month reopening of VCI.

This program, which allowed taxpayers to voluntarily report the use of IRS designated tax shelters, accounted for \$370 million, or 81 percent of All Funds audit collections of \$455 million. Bank tax audit collections are expected to fall to \$71 million in 2009-10. Excluding Enacted Budget provisions, corporation and utilities tax receipts are expected to grow 4.6 percent as revenue from the telecommunication sector remains strong and the insurance tax is expected to remain virtually unchanged.

All Funds business tax receipts for 2010-11 of \$8.0 billion are projected to increase by \$369 million, or 4.8 percent over the prior year, reflecting rebound induced growth rates of 9.8 and 10.7 percent in corporate franchise tax and bank tax receipts respectively.

General Fund business tax receipts for 2009-10 of \$5.5 billion are estimated to decrease by \$61 million, or 1.1 percent below 2008-09 results. The General Fund decrease in business tax receipts is larger than the All Funds decline because the net revenue from the imposition of the insurance premiums tax on for-profit HMOs is dedicated to HCRA. Aside from this Enacted Budget provision, business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2010-11 of \$5.8 billion are projected to increase \$333 million, or 6.1 percent over the prior year. Corporate franchise tax and bank tax receipts are projected to increase 10.1 percent and 9.9 percent, respectively as the economy begins to recover.

BUSINESS TAXES (millions of dollars)					
	2010-11 Projected	2011-12 Projected	Annual \$ Change	2012-13 Projected	Annual \$ Change
General Fund	5,828	5,925	97	6,398	473
Corporate Franchise Tax	3,211	3,129	(82)	3,513	384
Corporation & Utilities Tax	690	722	32	754	32
Insurance Tax	1,181	1,252	71	1,332	80
Bank Tax	746	822	76	799	(23)
State/All Funds	8,045	8,177	132	8,697	520
Corporate Franchise Tax	3,704	3,628	(76)	4,047	419
Corporation & Utilities Tax	905	942	37	979	37
Insurance Tax	1,471	1,550	79	1,636	86
Bank Tax	878	967	89	940	(27)
Petroleum Business Tax	1,087	1,090	3	1,095	5

All Funds business tax receipts estimated for 2011-12 and 2012-13 reflect trend growth that is determined in part by the expected levels of corporate profits, taxable insurance premiums, electric utility consumption prices, the consumption of telecommunications services and automobile fuel consumption and fuel prices. Business tax receipts are projected to increase to \$8.2 billion (1.6 percent) in 2011-12, and \$8.7 billion (6.4 percent) in 2012-13. General Fund business tax receipts over this period are expected to increase to \$5.9 billion (1.7 percent) in 2011-12 and \$6.4 billion (8.0 percent) in 2012-13.

Other Taxes

OTHER TAXES (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund**	1,188	982	(206)	-17.3%	959	(23)	-2.3%
Estate Tax	1,163	958	(205)	-17.6%	935	(23)	-2.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	N/A	0	0	0.0%
Pari-Mutuel Taxes	22	23	1	4.5%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	1,889	1,357	(532)	-28.2%	1,422	65	4.8%
Estate Tax	1,163	958	(205)	-17.6%	935	(23)	-2.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	N/A	0	0	0.0%
Real Estate Transfer Tax	701	375	(326)	-46.5%	463	88	23.5%
Pari-Mutuel Taxes	22	23	1	4.5%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

* Unaudited Year-End Results.

** Excludes Transfers.

All Funds other tax receipts for 2009-10 are estimated to be \$1.4 billion, down \$532 million or 28.2 percent from 2008-09 receipts. This decrease reflects a 17.6 percent decline in the estate tax collections due to declines in equity and home values experienced over the past year, combined with a nearly 47 percent decline in real estate transfer tax collections as a result of current conditions in the real estate and credit markets. General Fund other tax receipts are expected to total \$982 million in fiscal year 2009-10, reflecting the \$205 million decline in estate tax collections.

All Funds other tax receipts for 2010-11 are projected to be \$1.4 billion, up \$65 million or 4.8 percent from 2009-10, reflecting growth in the real estate transfer tax of 23.5 percent, reflecting the beginning of a rebound in the residential and commercial markets, partially offset by a 2.4 percent decline in estate tax collections. General Fund other tax receipts are expected to total \$959 million in fiscal year 2010-11, an decrease of \$23 million which is attributable to a projected decline in the estate tax.

OTHER TAXES (millions of dollars)					
	2010-11 Projected	2011-12 Projected	Annual \$ Change	2012-13 Projected	Annual \$ Change
General Fund*	959	1,015	56	1,077	62
Estate Tax	935	991	56	1,053	62
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	23	23	0	23	0
All Other Taxes	1	1	0	1	0
State/All Funds	1,422	1,566	144	1,708	142
Estate Tax	935	991	56	1,053	62
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	463	551	88	631	80
Pari-Mutuel Taxes	23	23	0	23	0
All Other Taxes	1	1	0	1	0

* Excludes Transfers.

The 2011-12 All Funds receipts projection for other taxes is nearly \$1.6 billion, up \$144 million or 10.1 percent from 2010-11 receipts. Growth in the estate tax is projected to follow expected increases in household net worth as equity prices begin to rebound. Receipts from the real estate transfer tax are projected to increase, reflecting the continued improvement in the residential and commercial markets.

The 2012-13 All Funds receipts projection for other taxes of \$1.7 billion is up \$142 million or 9.1 percent from 2011-12 receipts.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual \$ Change	Annual % Change	2010-11 Projected	Annual \$ Change	Annual % Change
General Fund	3,150	3,381	231	7.3%	3,022	(359)	-10.6%
Miscellaneous Receipts	3,105	3,381	276	8.9%	3,022	(359)	-10.6%
Federal Grants	45	0	(45)	-100.0%	0	0	0.0%
State Funds	19,928	22,028	2,100	10.5%	21,502	(526)	-2.4%
Miscellaneous Receipts	19,883	22,027	2,144	10.8%	21,501	(526)	-2.4%
Federal Grants	45	1	(44)	-97.8%	1	0	0.0%
All Funds	58,898	69,903	11,005	18.7%	70,171	268	0.4%
Miscellaneous Receipts	20,064	22,185	2,121	10.6%	21,653	(532)	-2.4%
Federal Grants	38,834	47,718	8,884	22.9%	48,518	800	1.7%

* Unaudited Year-End Results.

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total \$22.2 billion in 2009-10, an increase of \$2.1 billion from 2008-09 results, largely driven by programs financed with authority bond proceeds (\$718 million), including spending in economic development, SUNY and State equipment financing; growth in SUNY tuition, fee, patient, and other income (\$459 million), increased lottery receipts, including VLT (\$213 million) and growth in HCRA receipts (\$470 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total \$47.7 billion in 2009-10, an increase of \$8.9 billion from 2008-09 results driven by receipt of Federal ARRA monies.

General Fund miscellaneous receipts collections are estimated to be approximately \$3.4 billion in 2009-10, up \$276 million from 2008-09 results. This increase is primarily due to actions taken with the 2009-10 Enacted Budget.

All Funds miscellaneous receipts are projected to total \$21.7 billion in 2010-11, a decrease of \$532 million from the current year, driven by General Fund changes of \$359 million primarily due to the loss of several one-time receipts including payments related to NYPA, augmented by a decline in programs financed with authority bond proceeds (\$150 million).

All Funds Federal grants are projected to total \$48.5 billion in 2010-11, an increase of \$800 million from the current year reflecting an increase in Federal ARRA funding.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS					
(millions of dollars)					
	2010-11	2011-12	Annual \$	2012-13	Annual \$
	Projected	Projected	Change	Projected	Change
General Fund	3,022	3,017	(5)	3,043	26
Miscellaneous Receipts	3,022	3,017	(5)	3,043	26
Federal Grants	0	0	0	0	0
State Funds	21,502	22,472	970	21,863	(609)
Miscellaneous Receipts	21,501	22,471	970	21,862	(609)
Federal Grants	1	1	0	1	0
All Funds	70,171	65,677	(4,494)	64,362	(1,315)
Miscellaneous Receipts	21,653	22,574	921	21,965	(609)
Federal Grants	48,518	43,103	(5,415)	42,397	(706)

General Fund miscellaneous receipts and Federal grants are projected to be \$3.0 billion in each year beginning in 2010-11.

All funds miscellaneous receipts are projected to increase by \$921 million in 2011-12 and decline by \$609 million in 2012-13 driven by the one-time receipt of franchise fees related to the development of VLT facilities (\$370 million).

The loss of Federal ARRA aid drives the All Funds Federal grant declines of \$5.4 billion in 2011-12 and \$706 million in 2012-13.

2009-10 Financial Plan Disbursements Forecast

TOTAL DISBURSEMENTS (millions of dollars)							
	2008-09 Results **	2009-10 Base	Before Actions *		2009-10 Enacted	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
General Fund ***	48,436	57,136	8,700	18.0%	49,449	1,013	2.1%
Other State Funds	25,146	25,804	658	2.6%	24,075	(1,071)	-4.3%
Debt Service Funds	4,586	5,214	628	13.7%	5,218	632	13.8%
All Governmental Funds	121,571	132,753	11,182	9.2%	131,935	10,364	8.5%
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
Capital Projects Funds	6,830	7,983	1,153	16.9%	8,832	2,002	29.3%
Federal Operating Funds	36,573	36,616	43	0.1%	44,361	7,788	21.3%
General Fund, including Transfers	54,607	63,565	8,958	16.4%	54,908	301	0.6%

* *i.e. current services.*

** *Unaudited Results.*

*** *Excludes transfers.*

General Fund disbursements, including transfers to other funds, are projected to total \$54.9 billion in 2009-10, an increase of \$301 million from 2008-09 results. State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total \$78.7 billion in 2009-10. The General Fund and State Operating Funds spending totals are reduced by the increase in FMAP. The projected receipt of extraordinary Federal aid in 2009-10 adds approximately \$7.2 billion to the All Funds spending total.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The major sources of annual spending change between 2008-09 and 2009-10 (after Enacted Budget actions) are summarized in the table below.

ENACTED BUDGET SPENDING PROJECTIONS - AFTER ENACTED BUDGET ACTIONS						
MAJOR SOURCES OF ANNUAL CHANGE						
(millions of dollars)						
	General Fund *	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2008-09 Results***	48,436	29,732	78,168	6,830	36,573	121,571
Major Functions						
<i>Public Health:</i>						
Medicaid	(1,740)	1,073	(667)	0	4,272	3,605
Public Health	165	(406)	(241)	151	72	(18)
<i>K-12 Education:</i>						
School Aid	263	(197)	66	0	1,426	1,492
All Other Education Aid	16	(5)	11	113	592	716
STAR	0	(911)	(911)	0	0	(911)
Higher Education	578	427	1,005	232	110	1,347
<i>Social Services:</i>						
Temporary and Disability Assistance	66	(3)	63	(2)	(1)	60
Children and Family Services	148	(1)	147	(1)	37	183
Mental Hygiene	85	(98)	(13)	56	253	296
Transportation	(8)	(367)	(375)	735	(7)	353
General State Charges	620	(327)	293	0	97	390
Debt Service	49	564	613	0	0	613
All Other Changes						
Economic Development	(34)	217	183	436	301	920
Potential Labor Settlements	400	24	424	0	0	424
Labor	9	(3)	6	0	312	318
Homeland Security	46	(7)	39	(2)	217	254
Technology	11	0	11	97	12	120
Local Government Aid	97	0	97	0	0	97
State Police	(8)	66	58	26	(4)	80
Military and Naval Affairs	18	4	22	(7)	58	73
Judiciary	23	14	37	23	1	61
Elections	4	(3)	1	0	59	60
Empire State Stem Cell Trust Fund	0	38	38	0	0	38
Department of State	7	(3)	4	(14)	43	33
Criminal Justice Services	(13)	(9)	(22)	0	(1)	(23)
Parks and Recreation	(14)	(21)	(35)	13	(2)	(24)
Correctional Services	(71)	1	(70)	36	9	(25)
All Other	296	(506)	(210)	110	(68)	(168)
2009-10 Enacted Budget	49,449	29,293	78,742	8,832	44,361	131,935
<i>Annual Dollar Change</i>	<i>1,013</i>	<i>(439)</i>	<i>574</i>	<i>2,002</i>	<i>7,788</i>	<i>10,364</i>
<i>Annual Percent Change</i>	<i>2.1%</i>	<i>-1.5%</i>	<i>0.7%</i>	<i>29.3%</i>	<i>21.3%</i>	<i>8.5%</i>

* Excludes Transfers.

** Includes State Special Revenue and Debt Service Funds.

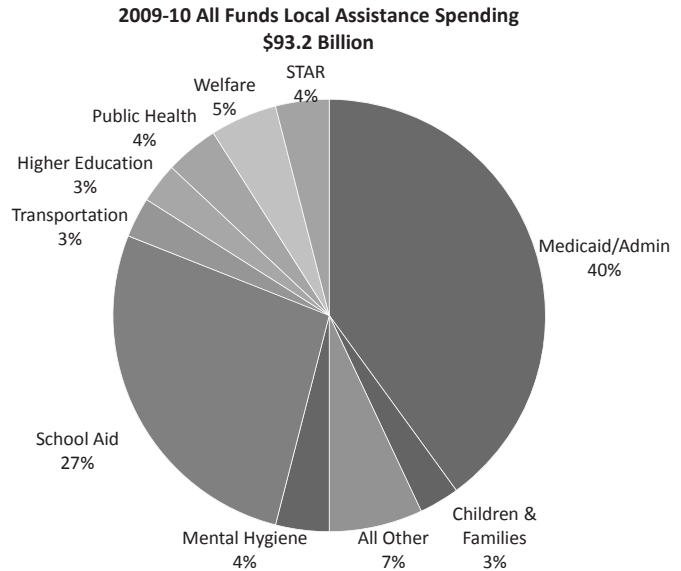
*** Unaudited Year-End Results.

The spending forecast for each of the State’s major financial plan categories follows. Projected current services disbursements are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, health care providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 71 percent of All Funds spending.

In 2009-10, All Funds spending for local assistance is proposed to total \$93.2 billion. Total spending is comprised of State aid to medical assistance providers and public health programs (\$40.5 billion); State aid for education, including school districts, universities, and tuition assistance (\$34.3 billion); temporary and disability assistance (\$4.8 billion); mental hygiene programs (\$3.9 billion); transportation (\$3.1 billion); children and family services (\$2.7 billion); and local government assistance (\$1.1 billion). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

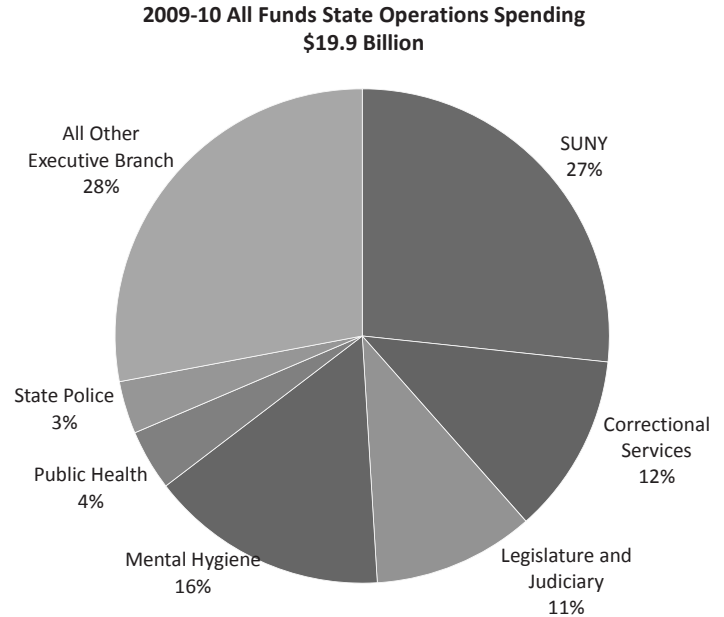


LOCAL ASSISTANCE SPENDING PROJECTIONS (millions of dollars)				
	2008-09 Results*	2009-10 Enacted	Annual \$ Change	Annual % Change
General Fund	37,040	37,086	46	0.1%
Other State Support	16,944	16,199	(745)	-4.4%
State Operating Funds	53,984	53,285	(699)	-1.3%
Capital Project Funds	1,356	860	(496)	-36.6%
Federal Operating Funds	31,927	39,046	7,119	22.3%
All Funds	87,267	93,191	5,924	6.8%

* Unaudited Year-End Results.

State Operations

State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, include salaries of State employees of the Executive Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel.



Approximately 93 percent of the State workforce is unionized. The largest unions include CSEA, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which primarily represents professional and technical personnel (i.e., attorneys, nurses, accountants, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The State workforce subject to Executive control (i.e., OSC, Law, SUNY/CUNY, and excluding the Legislature, Judiciary, and contractual labor), is projected to total 128,803 FTEs in 2009-10, a decrease of 7,687 from 2008-09 levels. Decreases are expected in nearly all agencies, mainly as a result of facility closures and the WRP.

State Operations spending, which is projected to total \$19.9 billion in 2009-10, finances the costs of Executive agencies (\$17.8 billion), and the Legislature and Judiciary (\$2.1 billion). The largest agencies in dollar terms and staffing levels include SUNY (\$5.3 billion; 40,609 FTEs), Correctional Services (\$2.4 billion; 29,175 FTEs), Mental Hygiene (\$3.1 billion; 38,160 FTEs), DOH (\$800 million; 5,441 FTEs), and State Police (\$715 million; 5,607 FTEs).

STATE OPERATIONS SPENDING PROJECTIONS (millions of dollars)				
	2008-09 Results*	2009-10 Enacted	Annual \$ Change	Annual % Change
General Fund	8,312	8,659	347	4.2%
Other State Support	6,942	6,968	26	0.4%
State Operating Funds	15,254	15,627	373	2.4%
Capital Projects Funds	0	0	0	N/A
Federal Operating Funds	3,712	4,284	572	15.4%
Total All Funds	18,966	19,911	945	5.0%

* Unaudited Year-End Results.

State Operations spending by category, based upon prior year spending trends, is allocated among employee regular salaries (69 percent), overtime payments (3 percent), contractual services (19 percent), supplies and materials (4 percent), equipment (2 percent), employee travel (1 percent), and other operational costs (2 percent).

STATE OPERATIONS SPENDING PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE - STATE OPERATING FUNDS (millions of dollars)			
	Personal Service	Non-Personal Service	State Operations
2008-09 Results*	10,329	4,925	15,254
Reserve for Unsettled Unions	424	0	424
Workforce Reduction	(267)	0	(267)
SUNY	106	194	300
State Police	103	(17)	86
Tax and Finance	42	5	47
Stem Cell Research	(1)	39	38
Judiciary	73	(42)	31
Labor management Committee	(4)	29	25
Correctional Services	(36)	54	18
Temporary and Disability Assistance	2	14	16
Public Health	3	22	25
Mental Hygiene	(187)	(2)	(189)
Insurance	(7)	(63)	(70)
2009-10 Spending Controls	0	(50)	(50)
All Other	(110)	49	(61)
2009-10 Enacted	10,470	5,157	15,627
Annual Dollar Change	141	232	373
Annual Percent Change	1.4%	4.7%	2.4%

* Unaudited Year-End Results.

The State Operating Funds spending increase of \$373 million (2.4 percent) in State Operations is primarily driven by a reserve to finance potential collective bargaining agreements with unsettled unions (\$424 million), SUNY (\$300 million), State Police (\$86 million), Department of Taxation and Finance (\$47 million), and stem cell research (\$38 million) offset by a planned workforce reduction and a decline in State share Medicaid payments to State-owned mental hygiene facilities due to increased Federal

Medicaid participation. The annual changes by personal service and non-personal service are summarized in the following tables.

Personal Service

PERSONAL SERVICE SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2008-09 TO 2009-10 (millions of dollars)					
	General Fund	Other State Funds	Total State Operating Funds	Federal Operating Funds	Total All Funds
2008-09 Results*	6,168	4,161	10,329	2,280	12,609
Current Services:	731	(21)	710	22	732
Reserve for Unsettled Unions	400	24	424	0	424
Judiciary	58	0	58	(2)	56
Public Health	22	(18)	4	(18)	(14)
Children and Family Services	19	0	19	(3)	16
State University	38	(26)	12	1	13
State Police	86	13	99	(2)	97
Mental Hygiene	1	100	101	(19)	82
Agency Salary Adjustments	74	42	116	23	139
Workforce Changes	33	(156)	(123)	42	(81)
Extraordinary Federal Aid:	0	(267)	(267)	301	34
Mental Hygiene FMAP	0	(267)	(267)	267	0
Labor	0	0	0	30	30
All Other	0	0	0	4	4
Enacted Savings:	(478)	130	(348)	(114)	(462)
Workforce Reduction	(191)	(76)	(267)	(111)	(378)
SUNY Tuition Increase	(87)	108	21	0	21
Auto Insurance Surcharge	(48)	48	0	0	0
SUNY	(45)	88	43	0	43
DOCS Facility Closures/Correctional Services	(58)	0	(58)	0	(58)
Delay Mental Health Expansion	(11)	0	(11)	0	(11)
Youth Facility Closures/Downsizing	(10)	0	(10)	0	(10)
Real Property Services Fund Shift	20	(20)	0	0	0
Mental Hygiene	0	(29)	(29)	(10)	(39)
All Other	(48)	11	(37)	7	(30)
New Initiatives:	44	2	46	0	46
Tax and Finance	41	0	41	0	41
All Other	3	2	5	0	5
2009-10 Enacted	6,465	4,005	10,470	2,489	12,959
<i>Total Annual Change</i>	<i>297</i>	<i>(156)</i>	<i>141</i>	<i>209</i>	<i>350</i>

* Unaudited Year-End Results.

Non-Personal Service

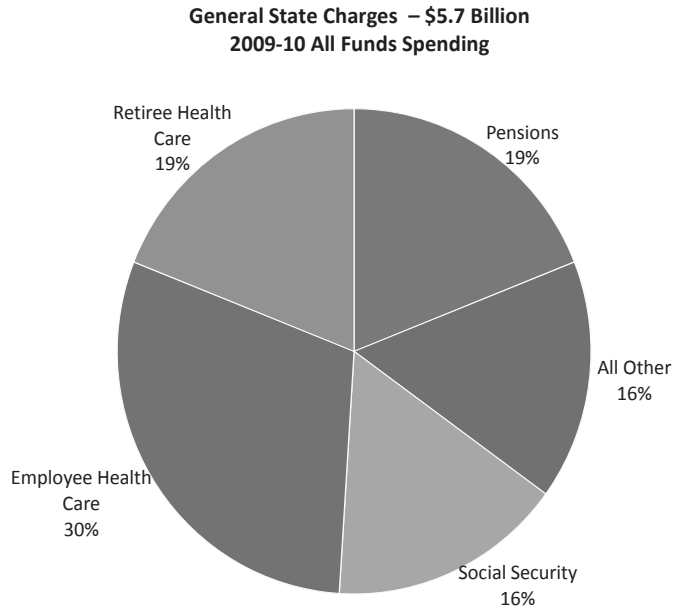
NON-PERSONAL SERVICE SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2008-09 TO 2009-10 (millions of dollars)					
	General Fund	Other State Funds	Total State Operating Funds	Federal Operating Funds	All Funds
2008-09 Results*	2,144	2,781	4,925	1,432	6,357
Current Services:	194	89	283	208	491
Correctional Services	76	0	76	0	76
Mental Hygiene	0	7	7	139	146
State University	63	116	179	(5)	174
State Police	15	(24)	(9)	(2)	(11)
Temporary and Disability Assistance	22	0	22	(9)	13
Public Health	16	9	25	3	28
Labor Management Committee	28	1	29	0	29
Judiciary	(45)	2	(43)	4	(39)
Elections	1	(3)	(2)	42	40
Insurance	(84)	2	(82)	0	(82)
Stem Cell Research	0	60	60	0	60
All Other	102	(81)	21	36	57
Extraordinary Federal Aid:	0	0	0	173	173
Labor	0	0	0	86	86
SUNY Pell Grants	0	0	0	28	28
Technology	0	0	0	12	12
Public Health	0	0	0	26	26
Criminal Justice	0	0	0	8	8
All Other	0	0	0	13	13
Enacted Savings:	(199)	85	(114)	(18)	(132)
DOCS Facility Closures/Correctional Services	(28)	0	(28)	0	(28)
2009-10 Spending Controls	(50)	0	(50)	0	(50)
Health Program Financing	0	15	15	0	15
SUNY Tuition Increase	(35)	45	10	0	10
Workers Compensation Board	0	20	20	0	20
SUNY	(19)	24	5	0	5
Mental Hygiene	0	(9)	(9)	(13)	(22)
SWN Funding	(26)	26	0	0	0
Public Safety	(13)	0	(13)	0	(13)
Economic Development	(11)	0	(11)	0	(11)
Stem Cell	0	(21)	(21)	0	(21)
All Other	(17)	(15)	(32)	(5)	(37)
New Initiatives:	55	8	63	0	63
Higher Education	50	3	53	0	53
All Other	5	5	10	0	10
2009-10 Enacted	2,194	2,963	5,157	1,795	6,952
<i>Total Annual Change</i>	<i>50</i>	<i>182</i>	<i>232</i>	<i>363</i>	<i>595</i>

* Unaudited Year-End Results.

General State Charges

GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, Social Security, health insurance, workers' compensation and unemployment insurance. Fixed costs include State taxes paid to local governments for certain State-owned lands, and payments related to lawsuits against the State and its public officers.

For most agencies, employee fringe benefit costs are paid centrally from appropriations made to GSCs. These centrally-paid fringe benefit costs represent the majority of GSCs spending. However, certain agencies, such as the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through the GSCs account are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The funding source of fringe benefit costs directly paid by certain agencies is dependent on the respective agencies' funding sources. Fixed costs are paid in full by General Fund revenues from the GSCs account.



GENERAL STATE CHARGES SPENDING PROJECTIONS				
(millions of dollars)				
	2008-09 Results*	2009-10 Enacted	Annual \$ Change	Annual % Change
General Fund	3,084	3,704	620	20.1%
Other State Support	1,307	980	(327)	-25.0%
State Operating Funds	4,391	4,684	293	6.7%
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	934	1,031	97	10.4%
Total All Funds	5,325	5,715	390	7.3%

* Unaudited Year-End Results.

All Funds spending on GSCs is expected to total \$5.7 billion in 2009-10, and includes health insurance spending for employees (\$1.7 billion) and retirees (\$1.1 billion), pensions (\$1.1 billion) and Social Security (\$962 million).

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (i.e., ESDC, DASNY, and the TA, subject to an appropriation). Depending on the credit structure, debt service is financed through transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS				
(millions of dollars)				
	2008-09	2009-10	Annual \$	Annual %
	Results*	Enacted	Change	Change
General Fund	1,734	1,783	49	2.8%
Other State Support	2,796	3,360	564	20.2%
State Operating Funds	4,530	5,143	613	13.5%
Capital Projects Funds	0	0	0	0.0%
Total All Funds	4,530	5,143	613	13.5%

* Unaudited Year-End Results.

All Funds debt service is projected at \$5.1 billion in 2009-10, of which \$1.8 billion is paid from the General Fund through transfers and \$3.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT revenue bonds, DHBTB bonds, and mental health facilities bonds.

The Enacted Budget Financial Plan includes \$12 million in savings from debt management actions. Legislation was enacted to provide greater flexibility in administering the PIT Revenue Bond program by permitting DASNY and ESDC to issue bonds for any authorized PIT Revenue Bond purpose. This is expected to result in improved scheduling and sizing for PIT Revenue Bond sales, producing savings through efficiencies in bond pricing and administration. Administrative actions to reduce costs will be continued. These include a goal of selling 25 percent of bonds on a competitive basis, market conditions permitting, and maximizing refunding opportunities, including through consolidated service contract structures.

Capital Projects

Capital Projects account for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds are financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to general obligation bond acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

CAPITAL PROJECTS SPENDING PROJECTIONS				
(millions of dollars)				
	2008-09	2009-10	Annual \$	Annual %
	Results*	Enacted	Change	Change
General Fund	473	551	78	16.5%
Other State Support	4,505	5,364	859	19.1%
State Funds	4,978	5,915	937	18.8%
Federal Funds	1,852	2,917	1,065	57.5%
All Funds	6,830	8,832	2,002	29.3%

* Unaudited Year-End Results.

All Funds capital spending is expected to total \$8.8 billion in 2009-10. Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (51 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development (14 percent), education (11 percent), mental hygiene and public protection (7 percent), and parks and the environment (10 percent). The remainder of projected capital projects spending is spread across health and social welfare, general government and other areas (7 percent). State funds are expected to increase by \$937 million, or 19 percent, primarily attributable to changes in transportation spending for the Five-Year Capital Plan (\$200 million), education spending for SUNY and infrastructure improvements for private colleges and universities (\$295 million), and economic development for previously authorized projects (\$195 million). Federal ARRA funds represent 98 percent of the annual change in Federal spending. These funds are projected to increase Federal spending by \$1.0 billion, providing significant investments in the State's capital infrastructure. Nearly half of this amount will be directed to DOT for infrastructure improvements.

Other Financing Sources/(Uses)

The most significant General Fund transfers to other funds in 2009-10 include transfers for State share Medicaid (\$2.4 billion), general debt service (\$1.8 billion), and capital projects (\$551 million), including \$168 million for PAYGO projects and a \$383 million subsidy to the DHBTF). Judiciary funding includes money transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund (\$149 million). Also included in General Fund transfers to other funds are transfers representing payments for patients residing in State-operated health and SUNY facilities (\$193 million), and SUNY hospital subsidy payments (\$135 million).

In Special Revenue Funds, transfers to other funds include transfers to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated health and mental hygiene facilities and community homes, and patients at SUNY hospitals (\$3.5 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL-NY (\$140 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements (\$1.0 billion).

Capital Projects funds transfers include transfers to the General Debt Service Fund from the DHBTF (\$1.0 billion), and transfers from the Hazardous Waste Remedial Fund (\$27 million), and the Environmental Protection Fund (\$95 million), to the General Fund.

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and PIT Revenue Bonds (\$10.4 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses for DOH, mental hygiene, and SUNY (\$3.8 billion).

**CASH FINANCIAL PLAN
GENERAL FUND
2008-2009 and 2009-2010
(millions of dollars)**

	<u>2008-2009 Year-End*</u>	<u>2009-2010 Enacted</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
Opening fund balance	<u>2,754</u>	<u>1,948</u>	<u>(806)</u>	
Receipts:				
Taxes:				
Personal income tax	23,196	24,404	1,208	5.2%
User taxes and fees	8,361	8,520	159	1.9%
Business taxes	5,556	5,495	(61)	-1.1%
Other taxes	1,188	982	(206)	-17.3%
Miscellaneous receipts	3,105	3,381	276	8.9%
Federal grants	45	0	(45)	-100.0%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,404	8,130	(274)	-3.3%
Sales tax in excess of LGAC debt service	2,195	2,200	5	0.2%
Real estate taxes in excess of CW/CA debt service	352	57	(295)	-83.8%
All other transfers	1,399	1,169	(230)	-16.4%
Total receipts	<u>53,801</u>	<u>54,338</u>	<u>537</u>	<u>1.0%</u>
Disbursements:				
Grants to local governments	37,040	37,086	46	0.1%
State operations:				
Personal Service	6,168	6,465	297	4.8%
Non-Personal Service	2,144	2,194	50	2.3%
General State charges	3,084	3,704	620	20.1%
Transfers to other funds:				
Debt service	1,734	1,783	49	2.8%
Capital projects	473	551	78	16.5%
State Share Medicaid	2,625	2,362	(263)	-10.0%
Other purposes	1,339	763	(576)	-43.0%
Total disbursements	<u>54,607</u>	<u>54,908</u>	<u>301</u>	<u>0.6%</u>
Change in fund balance	<u>(806)</u>	<u>(570)</u>	<u>236</u>	<u>-29.3%</u>
Closing fund balance	<u>1,948</u>	<u>1,378</u>	<u>(570)</u>	<u>-29.3%</u>
Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Statutory Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	145	78	(67)	
Debt Reduction Reserve Fund **	73	73	0	
Reserve for Timing Related Delays**	163	0	(163)	
Remaining Reserve for 2009-10 Use**	340	0	(340)	

*Unaudited Year-end Results

**Reserve Funds that are DOB-designated uses of the Refund Reserve Account.

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2009-2010 through 2012-2013
(millions of dollars)**

	<u>2009-2010 Enacted</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>
Receipts:				
Taxes:				
Personal income tax	24,404	26,612	27,447	26,625
User taxes and fees	8,520	8,819	9,193	9,469
Business taxes	5,495	5,828	5,925	6,398
Other taxes	982	959	1,015	1,077
Miscellaneous receipts	3,381	3,022	3,017	3,043
Federal grants	0	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,130	8,532	8,579	8,110
Sales tax in excess of LGAC debt service	2,200	2,254	2,344	2,463
Real estate taxes in excess of CW/CA debt service	57	147	244	329
All other transfers	1,169	723	684	695
Total receipts	<u>54,338</u>	<u>56,896</u>	<u>58,448</u>	<u>58,209</u>
Disbursements:				
Grants to local governments	37,086	39,664	46,467	50,283
State operations:				
Personal Service	6,465	6,621	6,801	6,870
Non-Personal Service	2,194	2,304	2,374	2,442
General State charges	3,704	4,042	4,344	4,760
Transfers to other funds:				
Debt service	1,783	1,762	1,739	1,725
Capital projects	551	1,162	1,319	1,491
State Share Medicaid	2,362	2,388	2,887	2,888
Other purposes	763	1,079	1,320	1,586
Total disbursements	<u>54,908</u>	<u>59,022</u>	<u>67,251</u>	<u>72,045</u>
Deposit to/(use of) Community Projects Fund	<u>(67)</u>	<u>55</u>	<u>(41)</u>	<u>(92)</u>
Deposit to/(use of) Reserve for Timing Related Delays	<u>(163)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Remaining Prior Year Reserves	<u>(340)</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund Margin	<u>0</u>	<u>(2,181)</u>	<u>(8,762)</u>	<u>(13,744)</u>
HCRA Operating Surplus	<u>0</u>	<u>15</u>	<u>5</u>	<u>38</u>
Combined General Fund/HCRA Margin	<u>0</u>	<u>(2,166)</u>	<u>(8,757)</u>	<u>(13,706)</u>

Source: NYS DOB

**CURRENT STATE RECEIPTS
GENERAL FUND
2008-2009 and 2009-2010
(millions of dollars)**

	2008-2009 Year-End*	2009-2010 Enacted	Annual \$ Change	Annual % Change
Taxes:				
Withholdings	27,686	30,626	2,940	10.6%
Estimated Payments	12,690	10,193	(2,497)	-19.7%
Final Payments	2,686	2,136	(550)	-20.5%
Other Payments	949	1,115	166	17.5%
Gross Collections	44,011	44,070	59	0.1%
State/City Offset	(475)	(500)	(25)	5.3%
Refunds	(6,696)	(6,332)	364	-5.4%
Reported Tax Collections	36,840	37,238	398	1.1%
STAR (dedicated deposits)	(4,434)	(3,524)	910	-20.5%
RBTF (dedicated transfers)	(9,210)	(9,310)	(100)	1.1%
Personal income tax	23,196	24,404	1,208	5.2%
Sales and use tax	10,274	10,389	115	1.1%
Cigarette and tobacco taxes	446	425	(21)	-4.7%
Motor fuel tax	0	0	0	--
Motor vehicle fees	(42)	19	61	-145.2%
Alcoholic beverages taxes	206	235	29	14.1%
Highway Use tax	0	0	0	--
Alcoholic beverage control license fees	44	48	4	9.1%
Auto rental tax	0	0	0	--
Gross Utility Taxes and fees	10,928	11,116	188	1.7%
LGAC Sales Tax (dedicated transfers)	(2,567)	(2,596)	(29)	1.1%
User Taxes and fees	8,361	8,520	159	1.9%
Corporation franchise tax	2,755	2,916	161	5.8%
Corporation and utilities tax	654	729	75	11.5%
Insurance taxes	1,086	1,171	85	7.8%
Bank tax	1,061	679	(382)	-36.0%
Petroleum business tax	0	0	0	--
Business taxes	5,556	5,495	(61)	-1.1%
Estate tax	1,163	958	(205)	-17.6%
Real estate transfer tax	701	375	(326)	-46.5%
Gift tax	2	0	(2)	-100.0%
Real property gains tax	0	0	0	--
Pari-mutuel taxes	22	23	1	4.5%
Other taxes	1	1	0	0.0%
Gross Other taxes	1,889	1,357	(532)	-28.2%
Real estate transfer tax (dedicated)	(701)	(375)	326	-46.5%
Other taxes	1,188	982	(206)	-17.3%
Total Taxes	38,301	39,401	1,100	2.9%
Licenses, fees, etc.	1,006	690	(316)	-31.4%
Abandoned property	698	700	2	0.3%
Reimbursements	1,089	172	(917)	-84.2%
Investment income	104	155	51	49.0%
Other transactions	208	1,664	1,456	700.0%
Miscellaneous receipts	3,105	3,381	276	8.9%
Federal grants	45	0	(45)	-100.0%
Total	41,451	42,782	1,331	3.2%

*Unaudited Year-end Results

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2008-2009*
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	2,754	3,520	286	6,560
Receipts:				
Taxes	38,301	7,780	12,241	58,322
Miscellaneous receipts	3,105	12,911	845	16,861
Federal grants	45	0	0	45
Total receipts	<u>41,451</u>	<u>20,691</u>	<u>13,086</u>	<u>75,228</u>
Disbursements:				
Grants to local governments	37,040	16,944	0	53,984
State operations:				
Personal Service	6,168	4,161	0	10,329
Non-Personal Service	2,144	2,725	56	4,925
General State charges	3,084	1,307	0	4,391
Debt service	0	0	4,530	4,530
Capital projects	0	9	0	9
Total disbursements	<u>48,436</u>	<u>25,146</u>	<u>4,586</u>	<u>78,168</u>
Other financing sources (uses):				
Transfers from other funds	12,350	4,562	5,976	22,888
Transfers to other funds	(6,171)	(1,156)	(14,464)	(21,791)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,179</u>	<u>3,406</u>	<u>(8,488)</u>	<u>1,097</u>
Change in fund balance:	<u>(806)</u>	<u>(1,049)</u>	<u>12</u>	<u>(1,843)</u>
Deposit to/(use of) Community Projects Fund	(195)			
Deposit to/(use of) Prior Year Reserves	(562)			
Deposit to/(use of) Debt Reduction Reserve	(49)			
Closing fund balance	<u>1,948</u>	<u>2,471</u>	<u>298</u>	<u>4,717</u>

*Unaudited Year-end Results

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2009-2010
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>1,948</u>	<u>2,471</u>	<u>298</u>	<u>4,717</u>
Receipts:				
Taxes	39,401	7,076	12,082	58,559
Miscellaneous receipts	3,381	14,076	830	18,287
Federal grants	0	1	0	1
Total receipts	<u>42,782</u>	<u>21,153</u>	<u>12,912</u>	<u>76,847</u>
Disbursements:				
Grants to local governments	37,086	16,199	0	53,285
State operations:				
Personal Service	6,465	4,005	0	10,470
Non-Personal Service	2,194	2,888	75	5,157
General State charges	3,704	980	0	4,684
Debt service	0	0	5,143	5,143
Capital projects	0	3	0	3
Total disbursements	<u>49,449</u>	<u>24,075</u>	<u>5,218</u>	<u>78,742</u>
Other financing sources (uses):				
Transfers from other funds	11,556	3,769	6,520	21,845
Transfers to other funds	(5,459)	(1,287)	(14,223)	(20,969)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,097</u>	<u>2,482</u>	<u>(7,703)</u>	<u>876</u>
Deposit to/(use of) Community Projects Fund	<u>(67)</u>	<u>0</u>	<u>0</u>	<u>(67)</u>
Deposit to/(use of) Prior Year Reserves	<u>(503)</u>	<u>0</u>	<u>0</u>	<u>(503)</u>
Change in fund balance	<u>0</u>	<u>(440)</u>	<u>(9)</u>	<u>(449)</u>
Closing fund balance	<u>1,378</u>	<u>2,031</u>	<u>289</u>	<u>3,698</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2010-2011
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>2,031</u>	<u>289</u>	<u>2,320</u>
Receipts:				
Taxes	42,218	7,098	12,945	62,261
Miscellaneous receipts	3,022	14,069	820	17,911
Federal grants	0	1	0	1
Total receipts	<u>45,240</u>	<u>21,168</u>	<u>13,765</u>	<u>80,173</u>
Disbursements:				
Grants to local governments	39,664	15,985	0	55,649
State operations:				
Personal Service	6,621	4,167	0	10,788
Non-Personal Service	2,304	2,953	75	5,332
General State charges	4,042	1,039	0	5,081
Debt service	0	0	5,791	5,791
Capital projects	0	2	0	2
Total disbursements	<u>52,631</u>	<u>24,146</u>	<u>5,866</u>	<u>82,643</u>
Other financing sources (uses):				
Transfers from other funds	11,656	3,874	6,830	22,360
Transfers to other funds	(6,391)	(1,076)	(14,737)	(22,204)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>5,265</u>	<u>2,798</u>	<u>(7,907)</u>	<u>156</u>
Deposit to/(use of) Community Projects Fund	<u>55</u>	<u>0</u>	<u>0</u>	<u>55</u>
Change in fund balance	<u>(2,181)</u>	<u>(180)</u>	<u>(8)</u>	<u>(2,369)</u>
Closing fund balance	<u>(2,181)</u>	<u>1,851</u>	<u>281</u>	<u>(49)</u>

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>0</u>	<u>1,851</u>	<u>281</u>	<u>2,132</u>
Receipts:				
Taxes	43,580	7,342	13,468	64,390
Miscellaneous receipts	3,017	15,054	839	18,910
Federal grants	0	1	0	1
Total receipts	<u>46,597</u>	<u>22,397</u>	<u>14,307</u>	<u>83,301</u>
Disbursements:				
Grants to local governments	46,467	17,061	0	63,528
State operations:				
Personal Service	6,801	4,551	0	11,352
Non-Personal Service	2,374	2,976	75	5,425
General State charges	4,344	1,239	0	5,583
Debt service	0	0	6,183	6,183
Capital projects	0	2	0	2
Total disbursements	<u>59,986</u>	<u>25,829</u>	<u>6,258</u>	<u>92,073</u>
Other financing sources (uses):				
Transfers from other funds	11,851	4,534	6,378	22,763
Transfers to other funds	(7,265)	(1,138)	(14,419)	(22,822)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>4,586</u>	<u>3,396</u>	<u>(8,041)</u>	<u>(59)</u>
Deposit to/(use of) Community Projects Fund	<u>(41)</u>	<u>0</u>	<u>0</u>	<u>(41)</u>
Change in fund balance	<u>(8,762)</u>	<u>(36)</u>	<u>8</u>	<u>(8,790)</u>
Closing fund balance	<u>(8,762)</u>	<u>1,815</u>	<u>289</u>	<u>(6,658)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2012-2013
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>1,815</u>	<u>289</u>	<u>2,104</u>
Receipts:				
Taxes	43,569	7,580	13,453	64,602
Miscellaneous receipts	3,043	15,101	858	19,002
Federal grants	0	1	0	1
Total receipts	<u>46,612</u>	<u>22,682</u>	<u>14,311</u>	<u>83,605</u>
Disbursements:				
Grants to local governments	50,283	17,345	0	67,628
State operations:				
Personal Service	6,870	4,565	0	11,435
Non-Personal Service	2,442	3,159	75	5,676
General State charges	4,760	1,297	0	6,057
Debt service	0	0	6,549	6,549
Capital projects	0	2	0	2
Total disbursements	<u>64,355</u>	<u>26,368</u>	<u>6,624</u>	<u>97,347</u>
Other financing sources (uses):				
Transfers from other funds	11,597	4,710	6,446	22,753
Transfers to other funds	(7,690)	(967)	(14,138)	(22,795)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>3,907</u>	<u>3,743</u>	<u>(7,692)</u>	<u>(42)</u>
Deposit to/(use of) Community Projects Fund	<u>(92)</u>	<u>0</u>	<u>0</u>	<u>(92)</u>
Change in fund balance	<u>(13,744)</u>	<u>57</u>	<u>(5)</u>	<u>(13,692)</u>
Closing fund balance	<u>(13,744)</u>	<u>1,872</u>	<u>284</u>	<u>(11,588)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2008-2009*
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(433)	286	6,486
Receipts:					
Taxes	38,301	7,780	2,015	12,241	60,337
Miscellaneous receipts	3,105	13,089	3,025	845	20,064
Federal grants	45	36,907	1,882	0	38,834
Total receipts	<u>41,451</u>	<u>57,776</u>	<u>6,922</u>	<u>13,086</u>	<u>119,235</u>
Disbursements:					
Grants to local governments	37,040	48,871	1,356	0	87,267
State operations:					
Personal Service	6,168	6,441	0	0	12,609
Non-Personal Service	2,144	4,157	0	56	6,357
General State charges	3,084	2,241	0	0	5,325
Debt service	0	0	0	4,530	4,530
Capital projects	0	9	5,474	0	5,483
Total disbursements	<u>48,436</u>	<u>61,719</u>	<u>6,830</u>	<u>4,586</u>	<u>121,571</u>
Other financing sources (uses):					
Transfers from other funds	12,350	7,308	790	5,976	26,424
Transfers to other funds	(6,171)	(4,397)	(1,413)	(14,464)	(26,445)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	<u>6,179</u>	<u>2,911</u>	<u>(166)</u>	<u>(8,488)</u>	<u>436</u>
Change in fund balance	<u>(806)</u>	<u>(1,032)</u>	<u>(74)</u>	<u>12</u>	<u>(1,900)</u>
Deposit to/(use of) Community Projects Fund	(195)				
Deposit to/(use of) Prior Year Reserves	(562)				
Deposit to/(use of) Debt Reduction Reserve	(49)				
Closing fund balance	<u>1,948</u>	<u>2,847</u>	<u>(507)</u>	<u>298</u>	<u>4,586</u>

*Unaudited Year-end Results

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	1,948	2,847	(507)	298	4,586
Receipts:					
Taxes	39,401	7,076	2,088	12,082	60,647
Miscellaneous receipts	3,381	14,234	3,740	830	22,185
Federal grants	0	44,779	2,939	0	47,718
Total receipts	<u>42,782</u>	<u>66,089</u>	<u>8,767</u>	<u>12,912</u>	<u>130,550</u>
Disbursements:					
Grants to local governments	37,086	55,245	860	0	93,191
State operations:					
Personal Service	6,465	6,494	0	0	12,959
Non-Personal Service	2,194	4,683	0	75	6,952
General State charges	3,704	2,011	0	0	5,715
Debt service	0	0	0	5,143	5,143
Capital projects	0	3	7,972	0	7,975
Total disbursements	<u>49,449</u>	<u>68,436</u>	<u>8,832</u>	<u>5,218</u>	<u>131,935</u>
Other financing sources (uses):					
Transfers from other funds	11,556	6,841	785	6,520	25,702
Transfers to other funds	(5,459)	(4,845)	(1,187)	(14,223)	(25,714)
Bond and note proceeds	0	0	532	0	532
Net other financing sources (uses)	<u>6,097</u>	<u>1,996</u>	<u>130</u>	<u>(7,703)</u>	<u>520</u>
Deposit to/(use of) Community Projects Fund	<u>(67)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(67)</u>
Deposit to/(use of) Prior Year Reserves	<u>(503)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(503)</u>
Change in fund balance	<u>0</u>	<u>(351)</u>	<u>65</u>	<u>(9)</u>	<u>(295)</u>
Closing fund balance	<u>1,378</u>	<u>2,496</u>	<u>(442)</u>	<u>289</u>	<u>3,721</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2010-2011
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,496	(442)	289	2,343
Receipts:					
Taxes	42,218	7,098	2,122	12,945	64,383
Miscellaneous receipts	3,022	14,221	3,590	820	21,653
Federal grants	0	45,448	3,070	0	48,518
Total receipts	<u>45,240</u>	<u>66,767</u>	<u>8,782</u>	<u>13,765</u>	<u>134,554</u>
Disbursements:					
Grants to local governments	39,664	55,844	855	0	96,363
State operations:					
Personal Service	6,621	6,707	0	0	13,328
Non-Personal Service	2,304	4,626	0	75	7,005
General State charges	4,042	2,119	0	0	6,161
Debt service	0	0	0	5,791	5,791
Capital projects	0	2	8,525	0	8,527
Total disbursements	<u>52,631</u>	<u>69,298</u>	<u>9,380</u>	<u>5,866</u>	<u>137,175</u>
Other financing sources (uses):					
Transfers from other funds	11,656	7,136	1,524	6,830	27,146
Transfers to other funds	(6,391)	(4,637)	(1,416)	(14,737)	(27,181)
Bond and note proceeds	0	0	597	0	597
Net other financing sources (uses)	<u>5,265</u>	<u>2,499</u>	<u>705</u>	<u>(7,907)</u>	<u>562</u>
Deposit to/(use of) Community Projects Fund	<u>55</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55</u>
Change in fund balance	<u>(2,181)</u>	<u>(32)</u>	<u>107</u>	<u>(8)</u>	<u>(2,114)</u>
Closing fund balance	<u>(2,181)</u>	<u>2,464</u>	<u>(335)</u>	<u>281</u>	<u>229</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2011-2012
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	2,464	(335)	281	2,410
Receipts:					
Taxes	43,580	7,342	2,135	13,468	66,525
Miscellaneous receipts	3,017	15,157	3,561	839	22,574
Federal grants	0	40,426	2,677	0	43,103
Total receipts	<u>46,597</u>	<u>62,925</u>	<u>8,373</u>	<u>14,307</u>	<u>132,202</u>
Disbursements:					
Grants to local governments	46,467	52,440	916	0	99,823
State operations:					
Personal Service	6,801	6,736	0	0	13,537
Non-Personal Service	2,374	4,608	0	75	7,057
General State charges	4,344	2,174	0	0	6,518
Debt service	0	0	0	6,183	6,183
Capital projects	0	2	8,086	0	8,088
Total disbursements	<u>59,986</u>	<u>65,960</u>	<u>9,002</u>	<u>6,258</u>	<u>141,206</u>
Other financing sources (uses):					
Transfers from other funds	11,851	7,323	1,749	6,378	27,301
Transfers to other funds	(7,265)	(4,183)	(1,472)	(14,419)	(27,339)
Bond and note proceeds	0	0	454	0	454
Net other financing sources (uses)	<u>4,586</u>	<u>3,140</u>	<u>731</u>	<u>(8,041)</u>	<u>416</u>
Deposit to/(use of) Community Projects Fund	<u>(41)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(41)</u>
Change in fund balance	<u>(8,762)</u>	<u>105</u>	<u>102</u>	<u>8</u>	<u>(8,547)</u>
Closing fund balance	<u>(8,762)</u>	<u>2,569</u>	<u>(233)</u>	<u>289</u>	<u>(6,137)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2012-2013
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,569	(233)	289	2,625
Receipts:					
Taxes	43,569	7,580	2,140	13,453	66,742
Miscellaneous receipts	3,043	15,204	2,860	858	21,965
Federal grants	0	39,954	2,443	0	42,397
Total receipts	<u>46,612</u>	<u>62,738</u>	<u>7,443</u>	<u>14,311</u>	<u>131,104</u>
Disbursements:					
Grants to local governments	50,283	52,267	922	0	103,472
State operations:					
Personal Service	6,870	6,760	0	0	13,630
Non-Personal Service	2,442	4,794	0	75	7,311
General State charges	4,760	2,296	0	0	7,056
Debt service	0	0	0	6,549	6,549
Capital projects	0	2	7,000	0	7,002
Total disbursements	<u>64,355</u>	<u>66,119</u>	<u>7,922</u>	<u>6,624</u>	<u>145,020</u>
Other financing sources (uses):					
Transfers from other funds	11,597	7,589	1,708	6,446	27,340
Transfers to other funds	(7,690)	(4,014)	(1,507)	(14,138)	(27,349)
Bond and note proceeds	0	0	382	0	382
Net other financing sources (uses)	<u>3,907</u>	<u>3,575</u>	<u>583</u>	<u>(7,692)</u>	<u>373</u>
Deposit to/(use of) Community Projects Fund	<u>(92)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(92)</u>
Change in fund balance	<u>(13,744)</u>	<u>194</u>	<u>104</u>	<u>(5)</u>	<u>(13,451)</u>
Closing fund balance	<u>(13,744)</u>	<u>2,763</u>	<u>(129)</u>	<u>284</u>	<u>(10,826)</u>

Source: NYS DOB

**CASHFLOW
GENERAL FUND
2009-2010
(dollars in millions)**

	2009 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2010 January Projected	February Projected	March Projected	Total
OPENING BALANCE	<u>1,948</u>	<u>2,860</u>	<u>134</u>	<u>111</u>	<u>1,076</u>	<u>1,113</u>	<u>2,777</u>	<u>2,516</u>	<u>762</u>	<u>1,231</u>	<u>5,621</u>	<u>4,827</u>	<u>1,948</u>
RECEIPTS:													
Personal Income Tax	2,983	1,004	2,083	1,987	1,764	2,964	1,236	433	2,105	4,729	1,210	1,906	24,404
User Taxes and Fees	627	643	860	684	678	855	666	657	797	711	571	771	8,520
Business Taxes	10	27	958	96	99	1,145	93	42	1,123	83	126	1,693	5,495
Other Taxes	52	84	86	85	85	85	84	84	84	84	84	85	982
Total Taxes	<u>3,672</u>	<u>1,758</u>	<u>3,987</u>	<u>2,852</u>	<u>2,626</u>	<u>5,049</u>	<u>2,079</u>	<u>1,216</u>	<u>4,109</u>	<u>5,607</u>	<u>1,991</u>	<u>4,455</u>	<u>39,401</u>
Licenses, Fees, etc.	45	70	50	35	60	45	55	50	35	40	70	135	690
Abandoned Property	19	0	16	16	10	52	14	172	38	69	56	238	700
Reimbursements	4	9	23	5	13	20	10	11	24	6	11	36	172
Investment Income	39	7	25	22	0	6	18	15	3	14	0	6	155
Other Transactions	40	45	81	47	57	758	48	37	89	41	36	385	1,664
Total Miscellaneous Receipts	<u>147</u>	<u>131</u>	<u>195</u>	<u>125</u>	<u>140</u>	<u>881</u>	<u>145</u>	<u>285</u>	<u>189</u>	<u>170</u>	<u>173</u>	<u>800</u>	<u>3,381</u>
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,049	256	926	661	312	1,090	616	110	1,024	979	217	890	8,130
Sales Tax in Excess of LGAC Debt Service	178	22	430	202	202	211	199	195	239	212	1	109	2,200
Real Estate Taxes in Excess of CW/CA Debt Service	20	20	0	0	0	0	0	0	0	5	5	7	57
All Other	1	0	187	44	0	70	12	0	133	10	10	702	1,169
Total Transfers from Other Funds	<u>1,248</u>	<u>298</u>	<u>1,543</u>	<u>907</u>	<u>514</u>	<u>1,371</u>	<u>827</u>	<u>305</u>	<u>1,396</u>	<u>1,206</u>	<u>233</u>	<u>1,708</u>	<u>11,556</u>
TOTAL RECEIPTS	<u>5,067</u>	<u>2,187</u>	<u>5,725</u>	<u>3,884</u>	<u>3,280</u>	<u>7,301</u>	<u>3,051</u>	<u>1,806</u>	<u>5,694</u>	<u>6,983</u>	<u>2,397</u>	<u>6,963</u>	<u>54,338</u>
DISBURSEMENTS:													
School Aid	578	2,656	2,017	129	526	1,261	554	982	1,598	288	785	6,645	18,019
Higher Education	28	20	764	84	224	163	368	26	240	47	332	540	2,836
All Other Education	57	150	280	115	117	66	109	94	142	98	153	259	1,640
Medicaid - DOH	974	666	107	793	714	322	543	822	429	433	549	49	6,401
Public Health	55	57	45	62	34	59	61	38	45	111	27	59	653
Mental Hygiene	12	38	366	44	16	506	45	8	453	125	142	393	2,148
Children and Families	27	198	91	278	98	107	91	110	283	71	82	387	1,823
Temporary & Disability Assistance	60	60	361	60	60	287	60	60	(13)	60	3	216	1,274
Transportation	0	16	28	0	16	3	0	19	4	0	10	4	100
All Other	37	38	494	63	56	215	58	53	534	44	43	557	2,192
Total Local Assistance Grants	<u>1,828</u>	<u>3,899</u>	<u>4,553</u>	<u>1,628</u>	<u>1,861</u>	<u>2,989</u>	<u>1,889</u>	<u>2,212</u>	<u>3,715</u>	<u>1,277</u>	<u>2,126</u>	<u>9,109</u>	<u>37,086</u>
Personal Service	735	546	478	641	515	853	437	484	551	455	377	393	6,465
Non-Personal Service	182	186	176	182	190	201	164	159	193	181	192	188	2,194
Total State Operations	<u>917</u>	<u>732</u>	<u>654</u>	<u>823</u>	<u>705</u>	<u>1,054</u>	<u>601</u>	<u>643</u>	<u>744</u>	<u>636</u>	<u>569</u>	<u>581</u>	<u>8,659</u>
General State Charges	409	(24)	168	348	290	999	422	292	82	375	219	124	3,704
Debt Service	617	0	0	13	50	278	16	107	436	12	47	207	1,783
Capital Projects	27	78	127	(113)	102	8	166	46	(1)	75	11	25	551
State Share Medicaid	238	197	197	197	197	197	197	197	197	197	197	154	2,362
Other Purposes	119	31	49	23	38	112	21	63	52	21	22	212	763
Total Transfers to Other Funds	<u>1,001</u>	<u>306</u>	<u>373</u>	<u>120</u>	<u>387</u>	<u>595</u>	<u>400</u>	<u>413</u>	<u>684</u>	<u>305</u>	<u>277</u>	<u>598</u>	<u>5,459</u>
TOTAL DISBURSEMENTS	<u>4,155</u>	<u>4,913</u>	<u>5,748</u>	<u>2,919</u>	<u>3,243</u>	<u>5,637</u>	<u>3,312</u>	<u>3,560</u>	<u>5,225</u>	<u>2,593</u>	<u>3,191</u>	<u>10,412</u>	<u>54,908</u>
Excess/(Deficiency) of Receipts over Disbursements	<u>912</u>	<u>(2,726)</u>	<u>(23)</u>	<u>965</u>	<u>37</u>	<u>1,664</u>	<u>(261)</u>	<u>(1,754)</u>	<u>469</u>	<u>4,390</u>	<u>(794)</u>	<u>(3,449)</u>	<u>(570)</u>
CLOSING BALANCE	<u>2,860</u>	<u>134</u>	<u>111</u>	<u>1,076</u>	<u>1,113</u>	<u>2,777</u>	<u>2,516</u>	<u>762</u>	<u>1,231</u>	<u>5,621</u>	<u>4,827</u>	<u>1,378</u>	<u>1,378</u>

Source: NYS DOB

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)**

	<u>2008-2009 Year-End*</u>	<u>2009-2010 Enacted</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,631	109,190	122,793	116,827	105,495
Alcoholic Beverage Control	17,022	18,075	18,781	19,114	19,607
Banking Department	78,971	79,009	81,698	80,831	82,212
Consumer Protection Board	3,840	3,096	3,266	3,231	3,321
Economic Development Capital Programs	21,176	18,300	0	0	0
Economic Development, Department of	104,306	106,845	137,389	128,966	89,257
Empire State Development Corporation	620,568	749,723	745,739	733,604	455,754
Energy Research and Development Authority	22,786	29,560	29,798	30,041	30,041
Housing and Community Renewal, Division of	320,605	878,541	441,678	303,489	302,846
Insurance Department	292,668	521,987	540,616	564,639	569,531
Olympic Regional Development Authority	9,503	9,509	7,714	7,924	7,924
Public Service, Department of	78,697	79,427	84,615	87,440	90,004
Science, Technology and Innovation, Foundation for	27,186	26,122	26,674	27,455	27,455
Strategic Investment	3,195	9,000	14,000	10,376	5,000
Functional Total	<u>1,710,154</u>	<u>2,638,384</u>	<u>2,254,761</u>	<u>2,113,937</u>	<u>1,788,447</u>
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,510	5,567	5,738	5,741	5,743
Environmental Conservation, Department of	878,910	1,151,980	1,165,955	917,116	908,565
Environmental Facilities Corporation	14,758	9,967	10,246	10,428	10,612
Hudson River Park Trust	14,290	21,392	10,000	0	0
Parks, Recreation and Historic Preservation, Office of	337,061	312,021	260,581	247,962	249,580
Functional Total	<u>1,250,529</u>	<u>1,500,927</u>	<u>1,452,520</u>	<u>1,181,247</u>	<u>1,174,500</u>
TRANSPORTATION					
Motor Vehicles, Department of	318,270	325,285	340,192	350,227	353,770
Thruway Authority	1,419	1,804	1,876	1,951	2,029
Metropolitan Transportation Authority	160,000	195,300	206,500	194,500	183,600
Transportation, Department of	6,498,414	6,810,399	7,347,377	7,081,440	6,855,123
Functional Total	<u>6,978,103</u>	<u>7,332,788</u>	<u>7,895,945</u>	<u>7,628,118</u>	<u>7,394,522</u>
HEALTH AND SOCIAL WELFARE					
Aging, Office for the	239,660	227,132	230,296	229,686	229,686
Children and Family Services, Office of	3,143,806	3,327,059	3,466,221	3,570,622	3,722,697
OCFS	3,097,973	3,256,215	3,349,535	3,432,267	3,580,011
OCFS - Medicaid	45,833	70,844	116,686	138,355	142,686
Health, Department of	38,097,712	41,689,321	44,116,173	47,156,679	48,176,383
Medical Assistance	32,427,350	36,017,967	38,410,425	41,261,545	42,420,513
Medicaid Administration	900,664	915,500	959,500	1,003,750	1,049,750
Public Health	4,769,698	4,755,854	4,746,248	4,891,384	4,706,120
Health - Medicaid Assistance	0	0	0	0	0
Human Rights, Division of	19,043	22,579	21,103	21,159	21,351
Labor, Department of	581,613	917,791	736,053	629,520	620,267
Medicaid Inspector General, Office of	61,224	80,022	82,520	85,937	85,937
Prevention of Domestic Violence, Office for	2,482	2,374	2,311	2,323	2,344
Stem Cell and Innovation	7,797	46,321	71,500	50,000	167,826

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)**

	<u>2008-2009 Year-End*</u>	<u>2009-2010 Enacted</u>	<u>2010-2011 Projected</u>	<u>2011-2012 Projected</u>	<u>2012-2013 Projected</u>
HEALTH AND SOCIAL WELFARE (Continued)					
Temporary and Disability Assistance, Office of	5,084,635	5,146,806	5,045,459	5,120,793	5,132,029
<i>Welfare Assistance</i>	3,339,685	3,707,723	3,593,383	3,694,344	3,696,450
<i>Welfare Administration</i>	361,065	56,433	55,041	55,041	55,041
<i>All Other</i>	1,383,885	1,382,650	1,397,035	1,371,408	1,380,538
Welfare Inspector General, Office of	1,180	1,403	1,432	1,456	1,472
Workers' Compensation Board	205,090	209,201	193,424	197,598	202,483
Functional Total	47,444,242	51,670,009	53,966,492	57,065,773	58,362,475
MENTAL HEALTH					
Mental Health, Office of	3,084,590	3,246,186	3,515,210	3,697,727	3,817,148
<i>OMH</i>	1,423,983	1,496,517	1,649,787	1,776,465	1,822,807
<i>OMH - Medicaid</i>	1,660,607	1,749,669	1,865,423	1,921,262	1,994,341
Mental Hygiene, Department of	308,318	1,570	1,997	1,484	1,484
Mental Retardation and Developmental Disabilities, Office of	4,183,851	4,220,703	4,443,119	4,607,926	4,795,837
<i>OMRDD</i>	559,080	544,435	551,643	569,908	593,245
<i>OMRDD - Medicaid</i>	3,624,771	3,676,268	3,891,476	4,038,018	4,202,592
Alcoholism and Substance Abuse Services, Office of	584,954	647,810	686,399	760,870	796,435
<i>OASAS</i>	484,789	545,856	579,021	650,770	684,794
<i>OASAS - Medicaid</i>	100,165	101,954	107,378	110,100	111,641
Developmental Disabilities Planning Council	4,915	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,207	16,676	18,319	18,404	18,612
Functional Total	8,181,835	8,137,145	8,669,244	9,090,611	9,433,716
PUBLIC PROTECTION					
Capital Defenders Office	370	0	0	0	0
Correction, Commission of	2,687	2,658	2,785	2,814	2,848
Correctional Services, Department of	2,699,307	2,672,125	2,698,627	2,724,797	2,763,547
Crime Victims Board	65,521	69,822	65,216	65,318	65,511
Criminal Justice Services, Division of	295,559	273,675	269,244	253,587	233,034
Homeland Security	108,459	362,166	285,458	551,984	549,093
Investigation, Temporary State Commission of	3,554	0	0	0	0
Judicial Commissions	5,288	5,214	5,208	5,311	5,385
Military and Naval Affairs, Division of	234,686	308,508	222,387	188,491	189,502
Parole, Division of	196,590	188,700	191,630	195,984	199,977
Probation and Correctional Alternatives, Division of	79,273	69,144	70,783	76,971	78,506
State Police, Division of	653,750	740,746	736,005	732,627	708,703
Functional Total	4,345,044	4,692,758	4,547,343	4,797,884	4,796,106
EDUCATION					
Arts, Council on the	45,842	49,183	48,729	48,827	48,827
City University of New York	1,071,277	1,716,892	1,502,408	1,549,843	1,583,274
Education, Department of	30,553,372	31,794,871	33,257,387	33,060,194	35,005,696
<i>School Aid</i>	23,164,174	24,722,363	26,154,513	26,122,156	27,923,190
<i>School Aid - Medicaid Assistance</i>	106,331	40,000	80,000	80,000	80,000
<i>STAR Property Tax Relief</i>	4,435,383	3,524,450	3,480,270	3,677,620	3,854,167
<i>Special Education Categorical Programs</i>	1,783,639	2,264,890	2,376,750	2,057,470	2,058,790
<i>All Other</i>	1,063,845	1,243,168	1,165,854	1,122,948	1,089,549
Higher Education Services Corporation	909,663	1,035,721	991,406	991,014	994,546
Higher Education Capital Grants	4,254	67,746	40,000	38,000	0
State University Construction Fund	16,482	19,586	20,992	21,463	21,822
State University of New York	6,484,894	7,098,551	7,596,072	7,705,386	7,775,743
Functional Total	39,085,784	41,782,550	43,456,994	43,414,727	45,429,908

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)**

	2008-2009 Year-End*	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
GENERAL GOVERNMENT					
Audit and Control, Department of	258,126	263,980	265,052	269,832	274,416
Budget, Division of the	43,813	77,301	84,259	97,199	107,291
Civil Service, Department of	23,744	21,679	22,551	22,763	23,014
Elections, State Board of	97,117	157,241	7,175	7,284	7,426
Employee Relations, Office of	3,694	3,465	3,795	3,833	3,872
Executive Chamber	19,252	17,077	18,023	18,647	18,924
General Services, Office of **	215,793	230,610	224,397	231,139	235,329
Inspector General, Office of	6,446	6,462	6,776	6,852	6,937
Law, Department of	231,205	239,390	240,144	247,122	251,646
Lieutenant Governor, Office of the	133	0	276	1,193	1,208
Lottery, Division of	200,951	188,151	193,807	194,069	194,751
Public Employment Relations Board	3,660	4,270	4,561	4,600	4,648
Public Integrity, Commission on	4,879	4,865	5,017	5,350	5,530
Racing and Wagering Board, State	24,307	21,065	21,802	21,902	22,235
Real Property Services, Office of	58,369	46,269	42,761	43,772	44,359
Regulatory Reform, Governor's Office of	3,438	542	697	697	697
State, Department of	181,137	217,311	205,566	158,531	161,067
Tax Appeals, Division of	3,422	3,025	3,152	3,152	3,152
Taxation and Finance, Department of	372,992	412,154	427,072	427,511	428,627
Technology, Office for	21,364	141,081	149,275	147,592	120,543
Lobbying, Temporary State Commission on	(77)	0	0	0	0
Veterans Affairs, Division of	15,720	17,122	18,000	17,574	17,700
Functional Total	<u>1,789,485</u>	<u>2,073,060</u>	<u>1,944,158</u>	<u>1,930,614</u>	<u>1,933,372</u>
ALL OTHER CATEGORIES					
Legislature	221,729	225,717	220,717	220,717	220,717
Judiciary (excluding fringe benefits)	2,425,844	2,513,026	2,725,941	2,919,326	2,946,710
World Trade Center	48,622	54,119	44,119	34,118	20,000
Local Government Assistance	1,037,389	1,134,517	1,129,524	1,132,764	1,135,888
Long-Term Debt Service	4,537,236	5,218,118	5,865,330	6,257,784	6,623,514
Capital Projects	0	0	0	0	0
General State Charges	2,443,102	3,035,762	3,336,744	3,610,540	4,022,379
Miscellaneous	72,506	(73,262)	(334,318)	(192,762)	(261,662)
Functional Total	<u>10,786,428</u>	<u>12,107,997</u>	<u>12,988,057</u>	<u>13,982,487</u>	<u>14,707,546</u>
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	<u>121,571,604</u>	<u>131,935,618</u>	<u>137,175,514</u>	<u>141,205,398</u>	<u>145,020,592</u>

GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.

*Unaudited Year-end Results

** To facilitate comparability, the new Office of Procurement Services is reflected within the amounts shown for the Office of General Services.

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is statutorily required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by OSC in preparation of the 2007-08 Financial Statements. OSC will issue the 2008-09 GAAP-basis Financial Statements in July 2009.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of \$46.5 billion, total expenditures of \$54.6 billion, and net other financing sources of \$8.7 billion, resulting in an operating surplus of \$561 million. These results reflect the impact of the Enacted Budget gap-closing actions.

The GAAP-basis results for 2007-08 showed the State in a net positive asset condition of \$47.7 billion after reflecting the impact of GASBS 45 "Accounting and Financial Reporting by Employers for Post-Retirement Benefits."

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2008 at \$49.9 billion (\$41.4 billion for the State and \$8.5 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. The actuarial accrued liability was calculated using a 4.2 percent annual discount rate. DOB expects the present value of the actuarial accrued total liability for benefits as of March 31, 2009 for the State, including SUNY, may increase by as much as \$9 billion.

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. GASB rules indicate the liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2007-08 liability totaled \$3.8 billion (\$3.1 billion for the State and \$0.7 billion for SUNY) under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly \$2.7 billion (\$2.1 billion for the State and \$0.6 billion for SUNY) above the current PAYGO retiree costs. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2007-08 by \$2.7 billion.

GASB does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

HISTORY AND FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
1999-00	777	466	1,243
2000-01	876	521	1,397
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,390	1,182	2,572
2008-09*	1,639	1,068	2,707
2009-10*	1,712	1,123	2,835
2010-11*	1,906	1,247	3,153
2011-12*	2,056	1,348	3,404
2012-13*	2,217	1,456	3,673

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches); actuals through 2007-08.

* Estimated.

As noted, the current Financial Plan does not assume pre-funding of the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State’s Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this matter, and seek input from the State Comptroller, the legislative fiscal committees and other outside parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DOB's detailed GAAP Financial Plan for 2009-10 is provided below.

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	40,058	7,081	2,088	12,094	61,321
Public Health/Patient fees	0	3,881	0	473	4,354
Miscellaneous revenues	6,426	1,541	261	26	8,254
Federal grants	0	47,140	2,939	0	50,079
Total revenues	46,484	59,643	5,288	12,593	124,008
Expenditures:					
Grants to local governments	38,494	55,895	858	0	95,247
State operations	12,201	2,173	0	75	14,449
General State charges	3,932	363	0	0	4,295
Debt service	0	2	0	4,159	4,161
Capital projects	1	0	8,675	0	8,676
Total expenditures	54,628	58,433	9,533	4,234	126,828
Other financing sources (uses):					
Transfers from other funds	14,942	2,468	755	6,520	24,685
Transfers to other funds	(6,552)	(3,865)	(1,187)	(14,873)	(26,477)
Proceeds of general obligation bonds	0	0	532	0	532
Proceeds from financing arrangements/ advance refundings	315	0	4,031	0	4,346
Net other financing sources (uses)	8,705	(1,397)	4,131	(8,353)	3,086
Operating Surplus/(Deficit)	561	(187)	(114)	6	266

Source: NYS DOB

Special Considerations

Complex political, social, environmental and economic forces influence the State's economy and finances, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; the impact of calendar year 2008 wage and bonus activity on the State tax settlement in fiscal year 2009-10; access to the capital markets in light of the disruption in the municipal bond market; litigation against the State, including challenges to certain tax actions and other actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year.

For example, the State Financial Plan is based upon forecasts of national and State economic activity developed through both internal analysis and review of national and State economic forecasts prepared by commercial forecasting services and other public and private forecasters. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, the extent of corporate and governmental restructuring, the condition of the financial sector, federal fiscal and monetary policies, the level of interest rates, and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience results in the current fiscal year that are materially worse than predicted, with corresponding material and adverse effects on the State's projections of receipts and disbursements. For more information, see the section entitled "Economics and Demographics" in this AIS.

Projections of total State receipts in the Financial Plan are based on the State tax structure in effect during the fiscal year and on assumptions relating to basic economic factors and their historical relationships to State tax receipts. In preparing projections of State receipts, economic forecasts relating to personal income, wages, consumption, profits and employment have been particularly important. The projections of receipts from most tax or revenue sources is generally made by estimating the change in yield of such tax or revenue source from its estimated tax base.

Projections of total State disbursements are based on assumptions relating to economic and demographic factors, levels of disbursements for various services provided by local governments (where the cost is partially reimbursed by the State), and the results of various administrative and statutory mechanisms in controlling disbursements for State operations. Factors that may affect the level of disbursements in the fiscal year include uncertainties relating to the economy of the nation and the State, the policies of the federal government, and changes in the demand for the use of State services.

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation" in this AIS.

DOB believes that its projections of receipts and disbursements relating to the current State Financial Plan, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth in this AIS. In the past, the State has taken management actions to address potential Financial Plan shortfalls, and DOB believes it could take similar actions should variances occur in its projections for the current fiscal year.

Actions affecting the level of receipts and disbursements, the relative strength of the State and regional economy, and actions by the federal government have helped to create projected structural budget gaps for the State. These gaps result in a significant disparity between recurring revenues and the costs of maintaining or increasing the level of support for State programs. To address a potential imbalance in any given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and, under the State Constitution, the Governor is required to propose a balanced budget each year. There can be no assurance however, that the Legislature will enact the Governor's proposals or that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant current risks include the following:

Risks to the Economic Forecast

DOB's outlook calls for an end to the current recession sometime in the third quarter of calendar year 2009, making it the longest since the Great Depression. However, there are a number of risks to the forecast. The large economic stimulus package passed by Congress in February and a Federal Reserve interest rate target of near zero, along with its massive injections of liquidity into the financial system, are expected to contribute to positive, albeit low growth in real U.S. GDP by the third quarter of 2009. However, the response of the economy to this stimulus depends in part on the normal functioning of credit markets. Further delay in the return of normalcy to markets could in turn delay the onset of the recovery. A weaker labor market than projected could result in even lower incomes and weaker household spending than projected. The global economy could contract further than anticipated, further depressing demand for U.S. exports and putting additional downward pressure on corporate earnings. Improving equity prices as markets look beyond the current crisis have been a recent bright spot, but slower corporate earnings growth than expected could further depress equity markets, delaying their recovery and that of Wall Street. On the other hand, a stronger response to the stimulus package, higher equity prices, or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, financial market uncertainty poses a particularly large degree of risk for New York. Lower levels of financial market activity than anticipated could result in a further delay in the recovery of Wall Street profits and bonuses. A more severe national recession than expected could prolong the State's downturn, producing weaker employment and wage growth than projected. Weaker equity and real estate activity than anticipated could negatively affect household spending and taxable capital gains realizations. These effects could ripple through the economy, further depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

State Cash Flow Projections

DOB currently projects that each month of the 2009-10 fiscal year will end with a positive cash balance in the General Fund. However, the General Fund's 2009-10 opening cash position of \$1.9 billion was lower than in recent fiscal years and DOB expects extremely tight operating margins, including periodic negative balances in the General Fund, especially in the first quarter of the fiscal year, before the benefit of approved actions in the Enacted Budget are fully realized. The June 2009 closing balance of \$111 million is the lowest projected for the fiscal year, based on the current forecast. DOB projects cash

balances of \$2.8 billion by September 30, 2009, \$1.2 billion by December 30, 2009, and \$1.4 billion by March 31, 2010. The settlement of tax liabilities for calendar year 2008, which primarily takes place in April and May 2009, has the potential to significantly alter the cash flow position of the State. DOB and the Department of Taxation and Finance are monitoring collections and refund activity closely.

The Enacted Budget authorizes the General Fund to borrow resources temporarily from other funds for a period not to exceed four months. In addition, under existing law, the General Fund is authorized to use resources in the State's Tax Stabilization Reserve for cash flow purposes, but is required to repay the amounts in full by the close of the fiscal year. Technical legislation approved in the Enacted Budget expands this authorization to include funds available in the Rainy Day Reserve and Contingency Reserve.

State Workforce Reductions

On March 24, 2009, the Executive announced that it would implement a WRP. DOB expects that the WRP will result in a State workforce reduction equivalent to approximately 8,700 employees, and will generate savings of approximately \$160 million in 2009-10 growing to over \$300 million in 2010-11. On April 7, 2009, DOB directed all State agencies to prepare WRPs to be submitted to DOB by April 21, 2009. The State workforce subject to Executive control finished 2008-09 at 136,490 positions compared to the Executive Budget estimate of 137,745, a decline of 1,255. In 2009-10, this portion of the workforce is expected to be reduced to 128,803 positions, a reduction of 7,687. DOB's plans to reflect the impact of the approved plans in the First Quarterly Update to the Financial Plan. There can be no assurance that the WRP will achieve the level of savings projected in the Financial Plan.

Labor Settlements

The State has reached labor settlements with several labor unions, CSEA, PEF, UUP, District Council 37, and the Police Benevolent Association. Under terms of these four-year contracts, which run from April 1, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08 through 2010-11 and 4 percent in 2011-12. Pursuant to the Governor's directive, most non-unionized "management/confidential" will not receive the planned general salary increase, merit awards, longevity payments, and performance advances in 2009-10.

Other unions representing uniformed correctional officers, graduate students, and security/park police have not reached settlements with the State at this time. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by other unions, it would result in added costs of approximately \$400 million in 2009-10, assuming a retroactive component for fiscal years 2007-08 and 2008-09, and approximately \$275 million in both 2010-11 and 2011-12. The Enacted Budget for 2009-10 assumes spending related to these settlements. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges.

School Supportive Health Services

The OIG of the United States Department of Health and Human Services has conducted six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover \$1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the CMS disallow \$173 million of the \$362 million in claims for upstate speech pathology services, \$17 million of \$72 million for upstate transportation services, \$436 million of the \$551 million in claims submitted for

New York City speech pathology services, and \$96 million of the \$123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn. If the recommended disallowances are not withdrawn, the State expects to appeal.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits.

Proposed Federal Rule on Medicaid Funding

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's HHC) and programs operated by both OMRDD and OMH. The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit for certain rates to actual facility reported costs. It is estimated that this rule could result in a loss of \$350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System. As part of the Federal ARRA, implementation has been delayed until July 1, 2009.

On May 23, 2007, CMS issued another rule that would eliminate Medicaid funding for GME. The proposed rule clarifies that costs and payments associated with GME programs are not expenditures of Medicaid for which Federal reimbursement is available. This rule could result in a Financial Plan impact of up to \$600 million since the State would be legally obligated to pay the lost non-Federal share. As part of the Federal ARRA, implementation has been delayed indefinitely.

On February 22, 2008, CMS issued a change to the rules that regulate State taxation of healthcare entities, effective April 22, 2008. The rule affords CMS flexibility in identifying a "linkage" between provider taxes and Medicaid payments rendering the tax invalid. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that its imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected. On May 6, 2009 CMS extended the delayed implementation through June 30, 2010.

CMS has also issued a rule regarding targeted case management which clarifies the definition of covered services. The final rule was issued on December 4, 2007 and made effective March 3, 2008. The State is currently in the process of litigating this issue and has requested a one-year implementation extension. On May 6, 2009, CMS issued a proposed regulation that would partially rescind the revised definitions of services covered and provide states with the necessary flexibility to ensure beneficiary access to case management services.

Further, CMS has proposed to restrict Medicaid coverage for rehabilitative services and reimbursement for school based health services, which could pose a risk to the Financial Plan and result in hundreds of millions of dollars in reduced Federal-share funding. As part of the ARRA, implementation of restrictions for rehabilitation services has been delayed indefinitely, while school based health services has been deferred until July 1, 2009. As a result of issues brought forward by states, the school based regulation was rescinded on May 6, 2009.

On all rules, the State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means. The State is joined by many other states in challenging the adoption on the basis that CMS is overstepping its authority and ignoring Congressional intent.

New York City Personal Care Audit

The OIG of the United States Department of Health and Human Services released a September 2008 draft audit with regard to Medicaid reimbursement for personal care services in New York City. The draft audit reviewed claims for the period July 1, 2004 through December 31, 2006. Based upon their review, the OIG is calling for the State to repay an estimated \$815 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. Both New York City and DOH disagree with these findings and have since conducted their own claims review. On February 10, 2009, DOH submitted its formal response to OIG contesting the audit findings. To date, OIG has shared no additional comments.

Bond Market Issues

Current projections reflect that the level of State-supported debt outstanding and debt service costs will continue to remain below the limits imposed by the Debt Reform Act of 2000 through 2011-12. However, the State has entered into a period of significantly declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the State is now expected to exceed the debt outstanding cap in 2012-13 by approximately \$300 million. The State expects to propose actions in the 2010-11 Executive Budget in order to stay within the statutory limitations.

Other Financial Plan Risks

The Financial Plan forecast also contains specific transaction risks and other uncertainties including, but not limited to, the development of new VLT facilities; the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; the enforcement of certain tax regulations on Native American reservations; the timing and value of proceeds from the sale of Wellpoint stock expected to finance certain health care spending; and the achievement of cost-saving measures, including, but not limited to, administrative savings in State agencies through the WRP and the transfer of available fund balances to the General Fund, at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan.

Finally, there can be no assurance that (1) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (2) the gaps projected for future years will not increase materially from the projections set forth in this AIS.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SUMMARY OF CERTAIN PROVISIONS
OF THE FINANCING AGREEMENTS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS

The following are summaries of the Financing Agreement (State Project) and the Financing Agreement (Voluntary Agency Project), referred to in each summary as the “Agreement.” Such summaries do not purport to be complete and reference is made to the Agreements for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

A. SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT (STATE PROJECT)

AUTHORITY FOR AGREEMENT; SUPPLEMENTAL FINANCING AGREEMENTS; GENERAL PROVISIONS

Authority for Agreement

The Agreement is authorized by subdivision 4 of Section 9 of the Facilities Development Corporation Act and subdivision 2 of Section 7419-a of the Agency Act, and shall be deemed to be and shall constitute an agreement between the Agency and the Corporation referred to in such subdivisions. For purposes of the Resolution, the Agreement shall be the “Financing Agreement (State Project),” the Annual Payments provided for thereunder shall constitute “Annual Payments,” and each Supplemental Financing Agreement shall constitute a “Supplemental Financing Agreement,” as each of said terms is defined and used in the Resolution.
(Section 1.02)

Supplemental Financing Agreements

The State Facilities to be designed, constructed, acquired, reconstructed, rehabilitated, improved, equipped, financed, refinanced and used as part of the State Project pursuant to the provisions of the Agreement; the Cost of the Project with respect to such State Facilities to be financed or refinanced by the Authority; the installment amounts and period of the Annual Payments to be paid to the Authority; and the Financing Terms and all details thereof and with respect thereto shall be as prescribed and defined in one or more Supplemental Financing Agreements by and between the Authority and the Department, which, upon the execution and approval thereof, in the manner required by law, shall thenceforth constitute a part of the Agreement with the same force and effect as if incorporated in the Agreement. Any such Supplemental Financing Agreement may add additional covenants and agreements between the parties to the Agreement, provided such additional covenants and agreements are not contrary to or inconsistent with the rights of the Holders of the Bonds and holders of Parity Reimbursement Obligations deriving from the Agreement and the Resolution. To the extent required by law, no Supplemental Financing Agreement shall be entered into unless there shall have been made a certification by the Director of the Budget of the State of the availability of required appropriation authority. All State Facilities financed or refinanced as provided for in a Supplemental Financing Agreement shall be part of the State Project. *(Section 1.03)*

Certain Provisions of Agreement Executory

The provisions of the Agreement requiring the payment to and expenditure of moneys by the Authority (other than proceeds of the Bonds and other moneys held under the Resolution) shall be deemed executory only to the extent of the moneys made available for such purposes by the State Legislature, and no monetary liability on account thereof shall be incurred beyond moneys legally made available by the State Legislature for such payments and expenditures. The provisions of the Agreement requiring the expenditure of moneys by the Authority for the financing or refinancing of the Cost of the Project with respect to State Facilities shall be deemed executory to the extent that the Authority shall have moneys derived from the proceeds of sale of Bonds and other moneys held under the Resolution and available for such purposes as provided in the Resolution, and no monetary liability on account thereof shall be incurred by the Authority except as aforestated. *(Section 2.01)*

Covenants for Benefit of Holders of Bonds

The Agreement is executed in part in order to induce the purchase by others of Bonds of the Authority to be issued to finance or refinance the Cost of the Project with respect to the State Facilities and for the purposes of

securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Authority and the Department set forth in Articles V and VI of the Agreement are declared to be for the benefit of the Holders from time to time of the Bonds.

Except as otherwise expressly provided in the Agreement or in the Resolution, particularly with respect to the rights of Bondholders, nothing in the Agreement, expressed or implied, is intended, or shall be considered, to confer upon any person, firm or corporation, other than Authority, the Department and the Trustee, any right, remedy or claim, legal or equitable, under or by reason of the Agreement or any provision thereof. *(Section 2.02)*

Pledge and Assignment

The Authority may pledge, assign, and transfer the right to receive and collect all or a portion of the Annual Payments, in the Resolution, together with the Authority's rights to enforce the provisions of Articles V and VI of the Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Authority's rights and privileges under the Agreement to the extent, and as conferred, in such pledge, assignment, and transfer; provided, however, that the pledge and assignment of the right to receive and collect Annual Payments shall be subject and junior and subordinate to the prior right of the Authority to receive and collect the Prior Authority Annual Payments, which right is subject and junior and subordinate to the prior right of the Authority to receive and collect the Prior Agency Annual Payments. *(Section 2.03)*

CONSTRUCTION, USE AND OPERATION OF STATE FACILITIES

Construction of State Facilities

The Authority agrees that with respect to each State Facility described in a Supplemental Financing Agreement, the Authority will design (including preparation of the Plans and Specifications for such State Facility), construct, acquire, reconstruct, rehabilitate, improve or equip such State Facility, or cause such State Facility to be designed, constructed, acquired, reconstructed, rehabilitated, improved, equipped, substantially in accordance with the Plans and Specifications for such State Facility and in compliance with the Facilities Development Corporation Act. The Authority further agrees that it will use its best efforts to cause such design, construction, acquisition, reconstruction, rehabilitation, improvement and equipping to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted; but if for any reason such design, construction, acquisition, reconstruction, rehabilitation, improvement or equipping is delayed there shall be no resulting liability on the part of the Authority and no diminution in or postponement of the amounts payable under the Agreement.

The Authority makes no warranties or representations and accepts no liabilities or responsibilities with respect to or for the adequacy, sufficiency or suitability of or defects in the Plans and Specifications or any contracts or agreements with respect to the design, construction, acquisition, reconstruction, rehabilitation, improvement and equipping of any State Facility or the furnishing and equipping thereof. *(Section 3.01)*

Construction Costs

The Authority in the Resolution is authorized to, and shall, make payments from the State Project Account in the Construction Fund to pay the Costs of the Project with respect to each State Facility or to reimburse the State for Costs of the Project with respect to each State Facility paid by the State upon the written approval of an Authorized Officer of the Authority stating with respect to each payment to be made (i) the State Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which such payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment, and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund.

The Authority, subject to the tax covenant contained in the Agreement, may reapply at any time prior to the filing of the certificate described in subdivision 5 of Section 5.04 of the Resolution as to the completion of the State Facilities comprising the State Project the moneys held in the State Project Account in the Construction Fund for the payment of Cost of the Project with respect to a State Facility to the payment of Costs of the Project with respect to any other State Facility previously or subsequently specified to be financed or refinanced pursuant to a

Supplemental Financing Agreement. Such reapplication of amounts shall be described in a Supplemental Financing Agreement to be entered into prior to, at the time of, or subsequent to such reapplication. *(Section 3.02)*

Possession, Use, Operation, Maintenance, Repair and Replacement of State Facilities

The Authority shall hold possession of each State Facility unless (i) the State Facility or some portion thereof is disposed of in accordance with the terms of the Agreement or (ii) the possession of any State Facility or portion thereof is permitted by State law to not be held by the Authority and the Authority and the Department agree that the Authority shall not hold possession of such State Facility. As soon as practicable after the completion of work on a State Facility, the Authority shall make available such State Facility to the Department for the purposes intended by, and in accordance with, the terms and provisions of the Agreement.

The Department covenants and agrees that during the use by the Department of each State Facility, the Department shall be responsible for the maintenance and upkeep of such property, for the maintenance and routine repair of the facility represented by each such State Facility, and for the replacement of furnishings, equipment, apparatus and machinery therein.

Except as otherwise provided for by the Agreement, there shall be made available to pay the cost of repairs and replacements of a State Facility and its equipment the proceeds of insurance or condemnation, if any, received by reason of the damage necessitating such repairs or replacements. *(Section 3.03)*

Abandonment of a State Facility

Subject to compliance with any applicable provisions of the Prior Agency Resolution, any applicable provisions of the Prior Authority Resolution and the tax covenants in the Agreement and applicable State law, if the Authority is required for any reason to abandon the design, construction, acquisition, reconstruction, rehabilitation, improvement and equipping of any part or portion of a State Facility, or if the Department shall fail to use or shall cease to use any part or portion of a State Facility whether by abandonment, demolition or otherwise, or if a State Facility is amended by a Supplemental Financing Agreement to withdraw any part or portion of such State Facility (any of which events shall be called an “abandonment” in the Agreement), the proceeds of the Bonds allocable to such State Facility (the “allocable proceeds” for purposes of this paragraph) and held in the Construction Fund may be applied to the financing of Cost of the Project with respect to other State Facilities as provided in a Supplemental Financing Agreement but only to the extent there is no reduction or diminution in the payment of the Annual Payments under the Agreement; otherwise the allocable proceeds held in the Construction Fund shall be applied to redeem, purchase or defease such Bonds and the Annual Payments may be reduced to reflect such redemption, purchase or defeasance. *(Section 3.04)*

Sale of a State Facility

Subject to compliance with any applicable provisions of the Prior Agency Resolution, any applicable provisions of the Prior Authority Resolution and the tax covenants in the Agreement and applicable State law, a State Facility may be sold for such amount and upon such terms as the Authority and the Department may agree. The parties to the Agreement agree that for purposes of the provisions of State law or of any deed, lease or other conveyance requiring that an amount (the “Allocable Amount”) be paid to the Authority as a condition precedent to any reversion to the State with a right of reentry to any State Facility which ceases to be used for the purposes intended, the following shall apply: (i) the Allocable Amount shall be the amount which, together with interest earnings thereon, shall be sufficient to provide for the payment or retirement, whether by redemption, purchase or defeasance or a combination thereof, of the principal amount of the Outstanding Bonds allocable to such State Facility and interest thereon to the redemption, purchase or maturity date or dates thereof; (ii) the Allocable Amount shall represent the purchase price of real property, any interest in real property, and improvements, the depreciated cost of any facility or facilities constructed, reconstructed, rehabilitated or improved thereon, and all other costs of the Authority incident to the acquisition of such real property, interest in real property, and the financing of construction, reconstruction, rehabilitation or improvement relating to such facility or facilities; and (iii) the Allocable Amount may be paid as follows: (a) the amount to be received by the Authority at the time of the sale (the “Disposition Amount”) and (b) if the Disposition Amount is less than the Allocable Amount, the amount to be received by the Authority through the continued payment of Annual Payments (the “Remaining Amount”). The Disposition Amount shall be the amount actually received by the Authority upon the sale of the State Facility up to

the Allocable Amount. The Remaining Amount shall be equal to the remaining Annual Payments required to be paid pursuant to the Agreement, including amounts necessary to pay the debt service on the Bonds issued to finance or refinance the Cost of the Project with respect to the State Facility or a portion thereof being sold which remain Outstanding after application of the Disposition Amount to the redemption, purchase or defeasance of such principal amount of such Bonds as can be redeemed, purchased or defeased. As a condition of the conveyance of such State Facility, the Department shall confirm the right of the Authority to receive the Remaining Amount at the times and in the amounts set forth in the Agreement and any applicable Supplemental Financing Agreements as the same may be amended, subject to all provisions of the Agreement.

The Disposition Amount paid to the Authority in connection with the sale or other disposition of a State Facility up to the Allocable Amount shall be deposited to the credit of the Construction Fund and used to pay the Cost of the Project with respect to other State Facilities, or applied to the redemption, purchase or defeasance of all or such portion of the Outstanding Bonds issued in connection with such State Facility, in accordance with the written direction of an Authorized Officer of the Authority. Subject to compliance with the tax covenants in the Agreement, in lieu of the redemption or purchase or defeasance of all or such portion of the Outstanding Bonds issued in connection with the State Facility to be sold, the amount received by the Authority in connection with the sale of such State Facility may be applied to the redemption or purchase of all or such portion of the Outstanding Bonds issued in connection with any other State Facility. In the event of any redemption, purchase or defeasance of any Outstanding Bonds pursuant to the Agreement, the Annual Payments may be reduced to reflect such redemption, purchase or defeasance.

In the event the amount paid to the Authority upon sale of a State Facility for the redemption, purchase or defeasance of any Outstanding Bonds, after taking into account such moneys as may be available under the Resolution, shall be insufficient to maintain compliance with the agreements and covenants in the Agreement, there shall be paid to the Authority, subject to all provisions of the Agreement, such amount as shall be necessary to cure the non-compliance. *(Section 3.05)*

Loss of Use of a State Facility

Subject to compliance with any applicable provisions of the Prior Agency Resolution, any applicable provisions of the Prior Authority Resolution and the tax covenants in the Agreement and applicable State law, in case a State Facility or part thereof is taken by eminent domain or condemnation, or damaged or destroyed, then and in such event:

(a) if, within one hundred and twenty (120) days from the occurrence, the Department notifies the Authority in writing of its intention to replace or restore such State Facility, the Department shall proceed to replace or restore such State Facility, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible. The moneys required for such replacement or restoration shall be paid from the proceeds of any condemnation award or insurance received by reason of such occurrence, and to the extent such proceeds are not sufficient, from moneys to be provided or caused to be provided by the Department; or

(b) if the Authority has not within such one hundred and twenty (120) day period been notified in writing of the intention of the Department to restore or replace such State Facility or if the Department determines not to restore or replace such State Facility, the Authority in its discretion may determine that such State Facility has been abandoned. In such event, the proceeds of any condemnation award or insurance received by reason of such occurrence shall be applied and paid in the same manner and order of priority as provided for the proceeds of the sale of such State Facility pursuant to the Agreement. *(Section 3.06)*

Right of Inspection

The Authority shall have the right to enter upon, inspect and examine each State Facility at any reasonable time upon prior notice to the Department; provided that no such notice shall be required if the Authority in its sole judgment determines that such inspection is to be made because of the existence of a situation which poses an imminent danger to the public or the occupants of such State Facility or which otherwise constitutes an emergency. *(Section 3.07)*

Compliance with Laws and Regulations

In the performance of its obligations under the Agreement, the Authority and the Department shall comply with all applicable laws, regulations and rules of the Government of the United States of America and the State of New York, the rules and regulations of the National Board of Fire Underwriters and any requirement of an insurance company relating to a State Facility so long as such company is writing insurance on such State Facility. (*Section 3.08*)

Environmental Quality Review and Historic Preservation

For the purpose of assisting the Authority in making any findings or determinations which might be required by (i) SEQR or (ii) the New York State Historic Preservation Act of 1980 and the regulations promulgated thereunder (collectively, the "Preservation Act"), the Department agrees as follows:

(a) to prepare such documents, if any, as the Authority or other governmental body having primary responsibility under SEQR or the Preservation Act determines are required by SEQR or the Preservation Act, in such form and containing such information in such detail as the Authority or such other governmental body determines is required by SEQR or the Preservation Act; and

(b) to file such documents with, or send such documents to, the persons or places required by SEQR or the Preservation Act or the Authority, and to present documentation of such filing or sending in such form as is satisfactory to an Authorized Officer of the Authority. (*Section 3.09*)

FINANCING PROVISIONS

Issuance of Bonds; Purposes

The Authority shall use its best efforts to authorize, issue, sell and deliver the Bonds, in accordance with the provisions of the Resolution, in aggregate principal amounts which, together with other moneys available therefor, are sufficient to pay the Costs of the Project with respect to each State Facility. In addition to providing for the Costs of the Project with respect to each State Facility, it is understood that the Resolution provides, and it is agreed, that the Authority may issue Bonds for one or more of the following purposes: (i) paying the Costs of Issuance of Bonds, (ii) refunding Bonds or other bonds, notes or other obligations of the Authority issued in connection with the State Project, (iii) refunding Prior Agency Bonds; and refunding Prior Authority Bonds. (*Section 4.01*)

FINANCIAL OBLIGATIONS; CERTAIN COVENANTS

Payments

As consideration for the financing or refinancing of the State Project as provided in the Agreement, there shall be paid to the Authority the Annual Payments specified in all Supplemental Financing Agreements relating to State Facilities. Concurrently with the execution of each Supplemental Financing Agreement, the Authority will have been deemed to have financed or refinanced the State Facility or State Facilities specified in such Supplemental Financing Agreement.

The agreement and obligation to pay installments of the Annual Payments, in the amount and manner, and at the time and place, in the Agreement and in the applicable Supplemental Financing Agreement provided, is and shall be absolute and unconditional, subject to the executory provisions of the Agreement contained in the Agreement. Each Annual Payment shall be due and payable (except to the extent of any credit therefor under the Agreement and the Resolution), and shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non happening of any event, irrespective of any defense or any rights of setoff, recoupment or counterclaim any person may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Authority to complete any State Facility or the completion thereof with defects, failure of the Department to occupy or use any State Facility, any damage or destruction or condemnation of all or part of any State Facility, any abandonment of any State Facility,

any declaration or finding that the Bonds, the Agreement or the Resolution are invalid or unenforceable, or any other failure or default by the Authority or the Trustee. (Section 5.01)

Amount and Payment of Annual Payments

(a) Unless otherwise provided for in a Supplemental Financing Agreement, Annual Payments shall be payable to the Authority in the amounts and manner and on the dates set forth below:

(i) The amount determined by an Authorized Officer of the Authority as required to be held under the Resolution on the delivery date of any Series of Bonds, promptly after notice of the amount thereof is given to the Department;

(ii) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund, within fifteen (15) days after notice of the amount thereof is given to the Department;

(iii) At least five days prior to the first day of a month, the amount, if any, as shall be necessary to provide for the payment by the Authority of reimbursements, other than fees and charges, which are payable to each Facility Provider during such month;

(iv) On February 10 of each Bond Year with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is fixed and is payable semiannually on February 15 or August 15, an amount equal to: (A) the interest payable on such Bonds and Parity Reimbursement Obligations on or prior to the next succeeding February 15 ; and (B) the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable on the next succeeding February 15 ;

(v) On August 10 of each Bond Year with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is fixed and is payable semiannually on February 15 or August 15, an amount equal to (A) the interest payable on such Bonds and Parity Reimbursement Obligations on or prior to the next succeeding August 15; and (B) the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable on the next succeeding August 15;

(vi) On the tenth day of each month with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable and is payable once every two (2) months or more frequently than once every two (2) months, (A) an amount equal to the interest estimated by an Authorized Officer of the Authority to be payable on such Bonds and Parity Reimbursement Obligations during the succeeding second month; plus (B) an amount equal to the fees estimated by an Authorized Officer of the Authority to be payable to broker-dealers and tender and other agents with respect to such Bonds and Parity Reimbursement Obligations for such succeeding second month; plus (C) an amount equal to the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable during such second succeeding month;

(vii) On the tenth day of each month with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable and is payable less frequently than once two (2) months but more frequently than semiannually, (A) an amount equal to the interest payable on such Bonds and Parity Reimbursement Obligations during the next succeeding month; plus (B) an amount equal to the fees estimated by an Authorized Officer of the Authority to be payable to broker-dealers and tender and other agents with respect to such Bonds and Parity Reimbursement Obligations for such next succeeding month; plus (C) an amount equal to the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable during such next succeeding month. With respect to such Annual Payments, the Comptroller, as permitted by subdivision 5 of section 97-f of the State Finance Law, shall set aside in the Services Fund in each month until paid to the Authority the amounts set forth below, beginning in the months set forth below and for the interest frequency periods with respect to such Bonds and Parity Reimbursement Obligations set forth below:

<u>Percentage to be Set Aside</u>	<u>First Month for Set Aside</u>	<u>Interest Frequency Period</u>
One-half of required Annual Payment amount	Second month preceding payment date to Authority	More than 2 month but less than 3 months
One-Third of required Annual Payment amount	Third month preceding payment date to Authority	More than 3 month but less than 4 months
One-Quarter of required Annual Payment amount	Fourth month preceding payment date to Authority	More than 4 month but less than 5 months
One-Fifth of required Annual Payment amount	Fifth month preceding payment date to Authority	More than 5 month but less than 6 months

(viii) On the tenth day of each month with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable and is payable semiannually or less frequently than semiannually, (A) an amount equal to the interest payable on such Bonds and Parity Reimbursement Obligations during the next succeeding month; plus (B) an amount equal to the fees estimated by an Authorized Officer of the Authority to be payable to broker-dealers and tender and other agents with respect to such Bonds and Parity Reimbursement Obligations for such next succeeding month; plus (C) an amount equal to the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable during such next succeeding month. The Annual Payments with respect to such interest and fees on such Bonds and Parity Reimbursement Obligations shall be treated as required to be made semiannually for purposes of subdivision 5 of section 97-f of the State Finance Law with the effect that the first required twenty percent (20%) monthly set-aside under such subdivision 5 shall begin in the sixth month preceding the due date for such Annual Payments; and

(b) Unless otherwise provided for in a Supplemental Financing Agreement, Annual Payments shall also be payable to the Authority in the amounts and manner and on the dates set forth below (collectively, the “Annual Expenditures”):

(i) On February 10 and August 10 of each Bond Year, (A) one-half (1/2) of the Annual Administrative Fee payable during such Bond Year, (B) an amount equal to the fees or charges estimated by an Authorized Officer of the Authority to be payable to auction agents, remarketing agents and other agents with respect to Bonds and Parity Reimbursement Obligations on which interest is variable for the next succeeding half of the Bond Year; and (C) an amount equal to the fees or charges estimated by an Authorized Officer of the Authority to be payable to Credit Facility Providers for the next succeeding half of the Bond Year;

(ii) On the tenth day of each month with respect to Outstanding Bonds to be purchased pursuant to mandatory or optional tenders, an amount equal to: (A) the interest estimated by the Authority to be payable on such Bonds during the next succeeding month, and (B) the purchase price of such Bonds estimated by the Authority to be payable during such next succeeding month;

(iii) On the tenth day of each month with respect to Outstanding Bonds which are subject to a Qualified Swap for which Qualified Swap Payments are variable and are not secured by the pledge of the Resolution, the estimated amount of any such Qualified Swap Payment certified by an Authorized Officer of the Authority as payable by the Authority to a Qualified Swap Provider during the second succeeding month, including but not limited to any fees or charges in connection therewith; and

(iv) On the tenth day of each month with respect to Outstanding Bonds which are subject to a Qualified Swap for which Qualified Swap Payments are fixed and payable semiannually and are not secured by the pledge of the Resolution, the estimated amount of any such Qualified Swap Payments certified by an Authorized Officer of the Authority as payable by the Authority to a Qualified Swap Provider during such month, including but not limited to any fees or charges in connection therewith.

Appendix C

(c) There shall be a credit against the Annual Payments required to be made pursuant to clauses (iv) and (v) of paragraph (a) above with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is fixed and is payable semiannually in an amount equal to: (A) the amount by which the amount in the Debt Service Account on the date any such payment is to be made exceeds the amount required pursuant to Section 5.05(1) of the Resolution to be on deposit in such account or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption; and (B) the amount actually received by the Authority as a counterpayment from the Qualified Swap Provider with respect to a Qualified Swap to which such Outstanding Bonds are subject during the prior month.

(d) There shall be a credit against the Annual Payments required to be made pursuant to clauses (vi), (vii) and (viii) of paragraph (a) and clause (ii) of paragraph (b) above with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable in an amount equal to: (A) the amount by which the amount in the Debt Service Account on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit in such account or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption; and (B) the amount actually received by the Authority as a counterpayment from the Qualified Swap Provider with respect to a Qualified Swap to which such Outstanding Bonds are subject during the prior month.

(e) The Authority shall furnish the State Division of the Budget not less than ten (10) days prior to the date on which a payment is due pursuant to the Agreement, a statement of the amount, purpose and payment date of each payment required to be made pursuant to the Agreement. The Authority agrees that it will provide the State Division of the Budget such information as may be reasonably requested by it with respect to the calculation of the Annual Expenditures and the allocation formula utilized in connection therewith. The failure to furnish such statement or information shall not affect the rights of the Authority to receive, when due, the amounts payable pursuant to the Agreement.

(f) Any payments required to be made pursuant to the Agreement which are not paid within seven (7) days after the due date thereof shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Outstanding Bonds until paid, time being of the absolute essence of this obligation.

(g) All Annual Payments and other payments required to be made under the Agreement shall be payable in lawful money of the United States, which shall be legal tender for public and private debts under the laws of the United States at the time of payment. Payment shall be made in accordance with the provisions of Section 5.05 of the Agreement. (*Section 5.02*)

State Not Liable for Annual Payments

The State shall not be liable for any of the Annual Payments or any interest thereon payable to the Authority pursuant to the provisions of the Agreement. (*Section 5.03*)

Mental Health Services Fund

(a) It is anticipated that the Annual Payments shall, subject to legislative appropriation, be payable from amounts on deposit in the Services Fund pursuant to the provisions of Section 97-f of the State Finance Law and the Pledge and Assignment.

(b) Annual Payments which are required to be made on a date on which Prior Agency Annual Payments and Prior Authority Annual Payments are not required to be made shall be made only if the amount retained in the Services Fund is not less than the amount required to be on deposit therein pursuant to Section 97-f of the State Finance Law with respect to Prior Agency Annual Payments and Prior Authority Annual Payments and other retained amounts in such fund.

(c) In addition to retaining in the Services Fund the amounts required by subdivision 5 of Section 97-f with respect to Prior Agency Annual Payments, Prior Authority Annual Payments and Annual Payments that are to

be made semiannually (including Annual Payments under clauses (vii) and (viii) of paragraph (a) of “Amount and Payment of Annual Payments” above, which shall be treated as required to be made semiannually for purposes of such subdivision 5), the Comptroller shall maintain in such fund, from and after the eleventh day of the month preceding any month in which payments are due pursuant to clause (vi) of paragraph (a) under “Amount and Payment of Annual Payments” above, the amount of such Annual Payment until such amount has been paid to the Authority.

(d) It is understood that, pursuant to the Pledge and Assignment, the obligation to make Annual Payments is (i) subject to State legislative appropriations, and (ii) subject, junior and subordinate to the obligation to make Prior Authority Annual Payments to the Authority for, among other things, the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Authority Bonds, which obligation is subject, junior and subordinate to the obligation to make Prior Agency Annual Payments to the Authority for, among other things, the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Agency Bonds. *(Section 5.04)*

Direction as to Payments

The Annual Payments payable pursuant to clause (i) of paragraph (b) under “Amount and Payment of Annual Payments” above shall be paid, when due, to the Authority, and after the making of such payment, the Annual Payments payable pursuant to paragraph (a) of “Amount and Payment of Annual Payments” above shall be paid, when due, to the Trustee for deposit and application in accordance with the Resolution, and after the making of such payment, the Annual Payments payable pursuant to clauses (ii), (iii) and (iv) of paragraph (b) under “Amount and Payment of Annual Payments” above shall be paid, when due, to the Authority.

The interest on the Annual Payments payable pursuant to paragraph (f) under “Amount and Payment of Annual Payments” above shall be paid, when due, to the Authority. *(Section 5.05)*

Indemnification of Authority

Both during the term of the Agreement and thereafter, the Department, to the extent not otherwise prohibited by State law and decisions thereunder, shall indemnify and hold the Authority and any member, officer, and employee of the Authority harmless from and against any and all liability, loss, cost, damage, claim, suit or judgment and any and all costs and expenses including, but not limited to, reasonable counsel fees and disbursements, if assessed by a court of competent jurisdiction, of any and all kinds or nature and however arising, imposed by law, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed, or upon or arising out of the financing, design, construction, reconstruction, acquisition, rehabilitation, improvement, occupancy, or use of a State Facility, pursuant to the Agreement, or upon or arising out of the allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of obligations contained an untrue or misleading statement of a material fact relating to the Department, the State, a State Facility or the estimated sources and uses of funds, or omitted to state a material fact relating to the Department, the State, a State Facility or the estimated sources and uses of funds necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that such liability, loss, cost, damage, claim, suit or judgment is not contributed to, caused by or resulted from the intentional wrong doing of the Authority, its members, officers or employees.

The indemnification provisions of the Agreement shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for in the Agreement from its obligation to defend or indemnify the Department, the Authority and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

It is the intention of the parties to the Agreement that any such insurance shall be primary, and shall take precedence to the indemnifications provided by the Department thereunder.

The Authority and each member, officer or employee shall be entitled to employ separate counsel in any action or proceeding and to participate in the defense thereof; provided, however, that the Department shall not be liable for attorneys’ fees of separate counsel so retained or any other expenses incurred in connection with its

participation in the defense of such action or proceeding, other than the reasonable costs of investigation thereof, unless the Department shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) its or any member, officer or employee's interests and the interests of the Department therein are adverse or (B) it or any member, officer or employee may have a defense available to it which is not available to the Department or (ii) the Department does not provide for legal representation.

The indemnification provisions of the Agreement shall not apply with respect to any matters concerning which the parties to be indemnified thereunder are otherwise indemnified pursuant to Section 17 of the Public Officers Law or any other statute providing equivalent indemnification. *(Section 5.06)*

MISCELLANEOUS

Reserved Right of Amendment

Notwithstanding any of the other provisions of the Agreement or of any Supplemental Financing Agreement, the Authority and the Department reserve the right to terminate, modify or amend the Agreement and any Supplemental Financing Agreement in any manner; provided, that no such termination, modification or amendment shall affect or impair in any way the right of the Authority to receive the Annual Payments at the times and in the manner and amounts therein and in the Supplemental Financing Agreements provided or any provisions of the Agreement or of any Supplemental Financing Agreement made or provided for the purpose of assuring payment of such Annual Payments and the obligations of the Authority and the Department under Section 6.03 of the Agreement. In connection with the sale of one or more State Facilities, the provisions of one or more Supplemental Financing Agreements describing the State Facilities, the Cost of the Project with respect to such State Facilities, the installment amounts and period of the Annual Payments to be paid to the Authority, and the Financing Terms and all details thereof and with respect thereto may be amended from time to time by a master schedule agreed to and executed by an Authorized Officer of the Authority and Authorized Officers of the Department and approved and consented to by the Budget Director of the State and the Comptroller of the State. Such master schedule shall constitute an amendment to such Supplemental Financing Agreements and shall become effective upon the filing thereof with the Trustee. Upon termination of the Agreement and any Supplemental Financing Agreement, the Authority and Department shall include any surviving right of the Authority to receive the Annual Payments in a financing agreement permitted by law and the Resolution, and shall continue their obligations under Section 6.03 of the Agreement by including identical language in any such financing agreement permitted by law and the Resolution. *(Section 6.01)*

Termination of the Agreement and Provisions Relating Thereto

The Agreement shall remain in full force and effect until the date on which (i) the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds the proceeds of which are used to finance or refinance Costs of the Project with respect to the State Facilities shall have been fully paid and discharged or provision for the payment and discharge thereof shall have been made as provided by the Resolution and (ii) all other obligations, liabilities and expenses of the Authority relating to a State Facility or required to be paid by the Authority in connection with such termination of the Agreement and the defeasance of the Resolution shall have been fully paid and discharged or provision satisfactory to the Authority for the payment and discharge thereof shall have been made; provided, however, that the indemnification provisions and the tax covenants of the Agreement shall survive the termination of the Agreement as provided therein. *(Section 6.02)*

Tax Covenant

With respect to any Bonds the interest on which is intended to be excluded in the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code as specified in the Series Resolution or the Series Certificate, the Authority and the Department each covenant and agree that they shall comply with the provisions of the Code applicable to such Bonds, including without limitation, the provisions of the Code relating to the computation of the yield on investments of the "gross proceeds" of such Bonds, as such term is defined in the Code, reporting of the earnings on such gross proceeds, rebates of earnings on such gross proceeds to the Department of the Treasury of the United States of America, and use, ownership and management of the State Facilities financed by such gross proceeds.

The Authority and the Department shall not take any action or fail to take any action with respect to the application and investment of gross proceeds of such Bonds or use, ownership or management of any State Facility or portions of any State Facility which would cause a failure to comply with the provisions of Sections 103 and 141 to 150 of the Code.

In furtherance of the foregoing, the Authority and, to the extent applicable to it, the Department, shall comply with the Tax Certificate delivered by the Authority and the letter of instructions, if any, delivered by Bond Counsel, at the time the Bonds of a Series are issued as to compliance with the Code with respect to such Series of Bonds, as such Tax Certificate and letter may be amended from time to time, as a source of guidance for achieving compliance with the Code. *(Section 6.03)*

Non Assignability of Agreement

The Agreement may not be assigned, except to the Trustee, by any party without the consent in writing of each other party. *(Section 6.04)*

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member of the Authority or any officer or employee of the Authority or of the State, or any person executing the Agreement for any covenants and provisions thereof or for any claims based thereon. *(Section 6.07)*

B. SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS (Voluntary Agency Project)

AUTHORITY FOR AGREEMENT; SUPPLEMENTAL FINANCING AGREEMENTS; GENERAL PROVISIONS

Authority for Agreement

The Agreement is authorized by subdivision 4 of Section 9 of the Facilities Development Corporation Act and subdivision 2 of Section 7419-a of the Agency Act, and shall be deemed to be and shall constitute an agreement between the Agency and the Corporation referred to in such subdivisions. For purposes of the Resolution, the Agreement shall be the “Financing Agreement (Voluntary Agency Project),” the Annual Payments provided for thereunder shall constitute “Annual Payments,” and each Supplemental Financing Agreement shall constitute a “Supplemental Financing Agreement,” as each of said terms is defined and used in the Resolution. *(Section 1.02)*

Supplemental Financing Agreements

The Voluntary Agency Facilities to be financed and refinanced as part of the Voluntary Agency Project pursuant to the provisions of the Agreement; the Cost of the Project with respect to such Voluntary Agency Facilities to be financed or refinanced by the Authority; the installment amounts and period of the Annual Payments to be paid to the Authority; and the Financing Terms and all details thereof and with respect thereto shall be as prescribed and defined in one or more Supplemental Financing Agreements by and between the Authority and the Department, which, upon the execution and approval thereof, in the manner required by law, shall thenceforth constitute a part of the Agreement with the same force and effect as if incorporated in the Agreement. Any such Supplemental Financing Agreement may add additional covenants and agreements between the parties to the Agreement, provided such additional covenants and agreements are not contrary to or inconsistent with the rights of the Holders of the Bonds and the holders of Parity Reimbursement Obligations deriving from the Agreement and the Resolution. To the extent required by law, no Supplemental Financing Agreement shall be entered into unless there shall have been made a certification by the Director of the Budget of the State of the availability of required appropriation authority. Each such Supplemental Financing Agreement shall also specify which of the commissioners of the Department shall be acting as agent or agents of the Authority for particular Voluntary Agency Facilities or classes of Voluntary Agency Facilities under such Supplemental Financing Agreement pursuant to Section 3.01 of the Agreement, and with respect to such Voluntary Agency Facilities, unless the context otherwise requires, the term “Department” as used in the Agreement shall be deemed to refer to such commissioners. All

Voluntary Agency Facilities financed or refinanced as provided for in a Supplemental Financing Agreement shall be a part of the Voluntary Agency Project. *(Section 1.03)*

Certain Provisions of Agreement Executory

The provisions of the Agreement requiring the payment to and expenditure of moneys by the Authority (other than proceeds of the Bonds and other moneys held under the Resolution) shall be deemed executory only to the extent of the moneys made available for such purposes by the State Legislature, and no monetary liability on account thereof shall be incurred beyond moneys legally made available by the State Legislature for such payments and expenditures. The provisions of the Agreement requiring the expenditure of moneys by the Authority for the financing and refinancing of the Cost of Project with respect to Voluntary Agency Facilities shall be deemed executory to the extent that the Authority shall have moneys derived from the proceeds of sale of Bonds and other moneys held under the Resolution and available for such purposes as provided in the Resolution, and no monetary liability on account thereof shall be incurred by the Authority except as aforesaid. *(Section 2.01)*

Covenants for Benefit of Holders of Bonds

The Agreement is executed in part in order to induce the purchase by others of Bonds of the Authority to be issued to finance or refinance the Cost of the Project with respect to the Voluntary Agency Facilities and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Authority and the Department set forth in Articles V and VI of the Agreement are declared to be for the benefit of the Holders from time to time of the Bonds.

Except as otherwise expressly provided in the Agreement or in the Resolution, particularly with respect to the rights of Bondholders, nothing in the Agreement, expressed or implied, is intended, or shall be considered, to confer upon any person, firm or corporation, other than Authority, the Department and the Trustee, any right, remedy or claim, legal or equitable, under or by reason of the Agreement or any provision thereof. *(Section 2.02)*

Pledge and Assignment

The Authority may pledge, assign, and transfer the right to receive and collect all or a portion of the Annual Payments, in the Resolution, together with the Authority's rights to enforce the provisions of Articles V and VI of the Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Authority's rights and privileges under the Agreement to the extent, and as conferred, in such pledge, assignment, and transfer; provided, however, that the pledge and assignment of the right to receive and collect Annual Payments shall be subject and junior and subordinate to the prior right of the Authority to receive and collect the Prior Authority Annual Payments, which right is subject and junior and subordinate to the prior right of the Authority to receive and collect the Prior Agency Annual Payments. *(Section 2.03)*

Representations and Warranties

The Department and the Authority represent and warrant to each other as follows:

(a) Each of the Voluntary Agency Facilities referred to in a Supplemental Financing Agreement will be owned, leased or subleased and operated or used by a Voluntary Agency (or if different Voluntary Agencies own, lease or sublease and operate or use the Voluntary Agency Facility, each of the Voluntary Agencies which owns, leases or subleases the Voluntary Agency Facility and the Voluntary Agency which operates or uses the Facility is a Voluntary Agency) which: (i) is an organization described in Section 501(c)(3) of the Code and is not a "private foundation" as defined in the Code; (ii) has received a letter or letters from the Internal Revenue Service to such effect; (iii) is in compliance with all terms conditions and limitations, if any, contained in such letter or letters; and (iv) is a duly organized not-for-profit corporation operating under the laws of the State of New York.

(b) No financing or refinancing of a Voluntary Agency Facility for the benefit of a Voluntary Agency shall be made by the Authority or the Department acting as its agent prior to an environmental review as required by SEQR. *(Section 2.06)*

CONSTRUCTION OF VOLUNTARY AGENCY FACILITIES; LOANS AND LOAN SERVICING

The Department to Act as Agent of the Authority

Pursuant to the provisions of Subdivision 13-f of Section 5 of the Facilities Development Corporation Act, the Authority appoints the Department as general agent for the Authority, and the Department accepts appointment as agent for the Authority with full and unrestricted authority on the part of the Department to finance or refinance the costs of each Voluntary Agency Facility for the benefit of a Voluntary Agency as described in each Supplemental Financing Agreement and to perform any and all other powers, duties and functions of the Authority as the Authority is authorized to perform under the Facilities Development Corporation Act with respect to financing or refinancing the Voluntary Agency Facilities for the benefit of Voluntary Agencies described in each Supplemental Financing Agreement. The Authority further agrees the Department has full authority to act as such agent of the Authority in effectuating such financing and refinancing and the Department shall have the right to require such mortgages, notes, security, leases, subleases, financing or other agreements or instruments from such Voluntary Agencies together with the right to enter into the same with such Voluntary Agencies on behalf of the Authority without its prior approval or consent upon such terms and conditions as may be determined by the Department to be necessary and appropriate, subject to any requirements, terms or conditions, as may be required by the Authority. The Department, as agent of the Authority, has full authority to charge, collect and retain all fees and other charges as may be authorized to be imposed by the Authority upon providing such a financing to a Voluntary Agency.

The appointment of the Department as the Authority's agent shall continue until the Authority provides written notice of termination to the Department. The Authority may terminate the agency designation of one or more of the commissioners of the Department without terminating the agency of the remainder of the Department. In that event, notice of termination shall be sent only to the affected commissioners. During the tenure of this appointment, the Authority will provide such documents and resolutions as the Department may reasonably request to implement its authority as agent. Following notice of termination, the Department will comply with all reasonable requests of the Authority with regard to Voluntary Agency Facilities financed during the Department's agency and with respect to the termination process.

In the event that the Authority shall terminate one or more commissioners of the Department as its agent, the Authority shall act on its own behalf under the Agreement with respect to those Voluntary Agency Facilities for which such terminated commissioners had been the agent of the Authority, and with respect to such Voluntary Agency Facilities, references therein to the Department, in its capacity as agent, shall be deemed to refer to the Authority. The Authority shall be bound by actions of the Department made while acting as the Authority's agent.

Any actions taken by the Department pursuant to the Agreement or any Supplemental Financing Agreement shall be solely as agent of the Authority and not as principal. (*Section 3.01*)

Construction of Facilities

The Authority and the Department shall require, as part of the Voluntary Agency Financing Documents entered into with a Voluntary Agency, that the Voluntary Agency Facility financed or refinanced thereby shall, be designed, constructed, acquired, reconstructed, rehabilitated, improved, equipped, substantially in accordance with the Plans and Specifications for such Voluntary Agency Facility and that such Voluntary Agency shall use its best efforts to cause such design, construction, acquisition, reconstruction, rehabilitation, improvement and equipping to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted.

The Authority and the Department shall require, as part of the Voluntary Agency Financing Documents entered into with a Voluntary Agency, that the Voluntary Agency Facility financed or refinanced thereby shall, upon completion, be free and clear of any liens and encumbrances of every kind and character which may arise in connection with the work of any character performed in connection with the Voluntary Agency Facility, including mechanics', laborers' and materialmen's liens and other liens of a similar nature.

The Authority and the Department shall require, as part of the Voluntary Agency Financing Documents entered into with a Voluntary Agency, that all buildings and improvements erected or constructed upon the premises comprising the site of a Voluntary Agency Facility financed or refinanced thereby and all buildings, improvements, fixtures, machinery and equipment installed or placed thereon by the Authority, the Department or such Voluntary Agency except where title thereto is vested in and remains with other parties, shall be and become a part of the Facility.

The Authority and the Department shall require that the Voluntary Agency Financing Documents entered into with each Voluntary Agency with respect to a Voluntary Agency Facility shall provide for the maintenance and upkeep of the Facility property, for the maintenance and routine repair of the facility represented by such Facility, and for the replacement of furnishings, equipment apparatus and machinery therein. *(Section 3.02)*

Construction Costs

The Authority in the Resolution is authorized to, and shall, make payments from the Voluntary Agency Project Account in the Construction Fund to pay the Costs of the Project with respect to each Voluntary Agency Facility or to reimburse the State or a Voluntary Agency for Costs of the Project with respect to each Voluntary Agency Facility paid by the State or a Voluntary Agency upon the written approval of an Authorized Officer of the Authority stating with respect to each payment to be made (i) the Voluntary Agency Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which such payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment, and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund.

The Authority may cause amounts requisitioned from the Construction Fund for the payment of Costs of the Project with respect to the Voluntary Agency Facilities to be transferred to one or more separate accounts established by the Authority, upon the request of the Department, with the Comptroller for which accounts the Department shall be the signatory and from which accounts disbursements for the financing of Voluntary Agency Facilities will be advanced. Such accounts shall be subject to the lien of the Resolution.

The Authority, subject to the tax covenants contained in the Agreement, may reapply at any time prior to the filing of the certificate described in subdivision 5 of Section 5.04 of the Resolution as to the completion of all the Voluntary Agency Facilities comprising the Voluntary Agency Project, the moneys held in the Voluntary Agency Project Account in the Construction Fund for the payment of Cost of the Project with respect to a Voluntary Agency Facility to the payment of Costs of the Project with respect to any other Voluntary Agency Facility previously or subsequently specified to be financed or refinanced pursuant to a Supplemental Financing Agreement. Such reapplication of amounts shall be described in a Supplemental Financing Agreement to be entered into prior to, at the time of, or subsequent to such reapplication. *(Section 3.03)*

Abandonment of a Voluntary Agency Facility

The Voluntary Agency Financing Documents entered into with each Voluntary Agency with respect to a Voluntary Agency Facility shall provide that, subject to compliance with any applicable provisions of the Prior Agency Resolution, any applicable provisions of the Prior Authority Resolution and the tax covenants in the Agreement and applicable State law, if for any reason the design, construction, acquisition, reconstruction, rehabilitation, improvement and equipping of any part or portion of a Voluntary Agency Facility is abandoned, or if the Voluntary Agency shall fail to use or shall cease to use any part or portion of a Voluntary Agency Facility whether by abandonment, demolition or otherwise, or if a Voluntary Agency Facility is amended by a Supplemental Financing Agreement to withdraw any part or portion of such Voluntary Agency Facility (any of which events shall be called an “abandonment” in this paragraph), the proceeds of the Bonds allocable to such Voluntary Agency Facility (the “allocable proceeds” for purposes of this paragraph) and held in the Construction Fund may be applied to the financing of Cost of the Project with respect to other Voluntary Agency Facilities as provided in a Supplemental Financing Agreement but only to the extent there is no reduction or diminution in the payment of the Annual Payments under the Agreement; otherwise the allocable proceeds held in the Construction Fund shall be applied to redeem, purchase or defease such Bonds and the Annual Payments may be reduced to reflect such redemption, purchase or defeasance. *(Section 3.04)*

Sale of a Voluntary Agency Facility

The Voluntary Agency Financing Documents entered into with each Voluntary Agency with respect to a Voluntary Agency Facility shall provide that, subject to compliance with any applicable provisions of the Prior Agency Resolution, any applicable provisions of the Prior Authority Resolution and the tax covenants in the Agreement and applicable State law:

(a) the Voluntary Agency Facility may be sold for such amount and upon such terms as the Voluntary Agency may determine and as the Authority and the Department may approve;

(b) the proceeds of such sale, up to the principal amount of Outstanding Bonds issued in connection with such Voluntary Agency Facility plus the premium payable and interest accrued thereon, if any, on the first date after the sale on which such Bonds can be redeemed at the election of the Authority, shall be paid to the Authority for deposit to the credit of the Construction Fund and used to pay the Cost of the Project with respect to other Voluntary Agency Facilities or applied to the redemption or purchase of Outstanding Bonds issued in connection with such Voluntary Agency Facility, in accordance with the written direction of an Authorized Officer of the Authority; and

(c) in lieu of paying such proceeds to the Authority for the redemption of Bonds, there may be paid to the Authority an amount sufficient to purchase Defeasance Securities the principal of and interest on which, when due, will provide moneys which, together with the moneys, if any, paid to the Authority at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price and interest due and to become due on an aggregate principal amount of the Bonds equal to the amount required to be paid to the Authority pursuant to the immediately preceding clause (b).

In the event of any redemption, purchase or defeasance of Bonds as set forth in clauses (a), (b) and (c) above, the Annual Payments may be reduced to reflect such redemption, purchase or defeasance. (*Section 3.05*)

Loss of Use of a Voluntary Agency Facility

The Voluntary Agency Financing Documents entered into with each Voluntary Agency with respect to a Voluntary Agency Facility shall provide that, subject to compliance with any applicable provisions of the Prior Agency Resolution, any applicable provisions of the Prior Authority Resolution and the tax covenants in the Agreement, and applicable State law, in case such Voluntary Agency Facility or part thereof is taken by eminent domain or condemnation, or damaged or destroyed, then and in such event:

(a) if, within one hundred and twenty (120) days from the occurrence, the Department notifies the Authority in writing of the Voluntary Agency's intention to replace or restore such Voluntary Agency Facility, the Department shall cause such Voluntary Agency to proceed to replace or restore such Voluntary Agency Facility, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible. The moneys required for such replacement or restoration shall be paid from the proceeds of any condemnation award or insurance received by reason of such occurrence, and to the extent such proceeds are not sufficient, from moneys to be provided or cause to be provided by the Department or the Voluntary Agency; or

(b) if the Authority has not within such one hundred and twenty (120) day period been notified in writing of the intention of such Voluntary Agency to restore or replace such Voluntary Agency Facility or if such Voluntary Agency determines not to restore or replace such Voluntary Agency Facility, the Authority in its discretion may determine that such Voluntary Agency Facility has been abandoned. In such event, the proceeds of any condemnation award or insurance received by reason of such occurrence shall be applied and paid in the same manner and order of priority as provided for the proceeds of the sale of such Voluntary Agency Facility pursuant to the Agreement. (*Section 3.06*)

Right of Inspection

The Voluntary Agency Financing Documents entered into with a Voluntary Agency with respect to a Voluntary Agency Facility shall provide that Authority or the Authority's agent or representative has the right to enter upon, inspect and examine such Facility at any reasonable time upon prior notice to such Voluntary Agency;

provided that, to the extent permitted by law, no such notice shall be required if the Authority in its sole judgment determines that such inspection is to be made because of the existence of a situation which poses an imminent danger to the public or the occupants of such Voluntary Agency Facility or which otherwise constitutes an emergency. *(Section 3.07)*

Compliance with Laws and Regulations

In the performance of its obligations under the Agreement, the Authority and the Department shall comply, and shall in the Voluntary Agency Financing Documents entered into with a Voluntary Agency cause such Voluntary Agency to comply, with all applicable laws, regulations and rules of the Government of the United States of America and the State of New York, the rules and regulations of the National Board of Fire Underwriters and any requirement of an insurance company relating to a Voluntary Agency Facility so long as such company is writing insurance on such Facility. *(Section 3.08)*

Environmental Quality Review and Historic Preservation

For the purpose of assisting the Authority in making any findings or determinations which might be required by (i) SEQR or (ii) the New York State Historic Preservation Act of 1980 and the regulations promulgated thereunder (collectively, the “Preservation Act”), the Department agrees as follows:

(a) to prepare such documents, if any, as the Authority or other governmental body having primary responsibility under SEQR or the Preservation Act determines are required by SEQR or the Preservation Act, in such form and containing such information in such detail as the Authority or such other governmental body determines is required by SEQR or the Preservation Act; and

(b) to file such documents with, or send such documents to, the persons or places required by SEQR or the Preservation Act or the Authority, and to present documentation of such filing or sending in such form as is satisfactory to an Authorized Officer of the Authority. *(Section 3.09)*

Substitution of Voluntary Agencies by the Department

In the event that the Authority has acquired the fee or other right to enter or take possession of a Voluntary Agency Facility, the Authority authorizes the Department to enter the same and to operate the Facility in the manner consistent with the mental hygiene services facilities program and to pay all operating expenses and financing expenses outstanding and to allow substitute Voluntary Agencies to perform such functions and duties in its place; provided, however, that no such substitution shall result in a reduction in the Annual Payments specified in the related Supplemental Financing Agreement except to the extent of any Bonds redeemed, purchased or defeased in connection with such substitution, and provided further, that the Authority and the Department shall not permit such substitution unless they shall have received an opinion of Bond Counsel to the effect that such substitution will not adversely affect the exclusion of interest on any Bonds as to which the Authority shall have received an opinion described in the tax covenants in the Agreement from the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. *(Section 3.10)*

Financings for Voluntary Agencies

The Department, as agent for the Authority, shall provide financings, including mortgage loans, to Voluntary Agencies in such amounts as have been approved by the Department and for which moneys have been transferred to the Voluntary Agency Project Account in the Construction Fund or the special accounts described in the Agreement. The Department shall provide such financings and may require and enter into such Voluntary Agency Financing Documents upon such terms and conditions as may be determined necessary by the Department. Such financings shall provide for the payment of interest at such interest rate as the Authority shall approve and shall further provide for the payment of any fees and expenses of each of the Department and the Authority. *(Section 3.11)*

Financing Servicing During Construction by the Department

The Department and the Authority agree that the Department shall act as and be the agent and financing servicer for the Authority. In performance of such duties the Department shall where applicable:

- (i) review and approve all requests for advances to verify compliance with the Voluntary Agency Financing Documents and provide coordination between the Authority and the Department and the Voluntary Agency.
- (ii) verify all conditions precedent to an advance of a financing with respect to a Voluntary Agency Facility are satisfied, including without limitation, in the case of a mortgage, a satisfactory title continuation showing the mortgage to constitute a valid first lien subject to no encumbrances other than those set forth in the policy insuring the lien of the mortgage.
- (iii) approve any change orders which do not adversely affect the amount of any construction contract or the time for completion thereof.
- (iv) approve any change orders which may adversely affect the amount of any construction contract or the time for completion thereof, but only with the written consent of the Authority. (*Section 3.12*)

Financing Disbursements

The Department may make financing advances to Voluntary Agencies for Voluntary Agency Facilities on behalf of the Authority from amounts on deposit in a separate account established with the Comptroller pursuant to the Agreement.

- (a) Prior to each disbursement of proceeds under the Agreement, the Department will obtain such documentation as may be applicable as follows:
 - (i) From the Voluntary Agency a Contractors' Requisition AIA form 702 and 703 signed by all of the appropriate parties, together with, owner's approval covering all work performed and all materials furnished for the Voluntary Agency Facility since the date of the last Contractors' Requisition, and with an affidavit by an officer of the Voluntary Agency, in a form satisfactory to the Department.
 - (ii) Said requisition shall be submitted three weeks preceding the date upon which the advance is to be made which shall be such day of the month as approved by the Department in a Supplemental Financing Agreement, if applicable.
 - (iii) Such other documentation in addition to or in lieu of the documentation described above as the Department may determine.
- (b) Upon receipt of the documentation described above, and the approval of the Voluntary Agency to whom the financing was provided, the Department will advance financing proceeds for the requested disbursement, subject to such adjustments as the Department may deem appropriate to assure completion of the work.
- (c) In no event shall the final disbursement of proceeds be made until all conditions are satisfied to issue the final proceeds to the Voluntary Agency Facility, subject to the terms, conditions and exceptions acceptable to the Department for final disbursement, including but not limited to the Voluntary Agency Facility securing all required licenses and permits to operate the Voluntary Agency Facility in accordance with all rules, laws and regulations applicable to the Facility. (*Section 3.13*)

Initial Advances of Financing Proceeds

Prior to the initial advance of financing proceeds to a Voluntary Agency pursuant to the Agreement for financing or refinancing the design, construction, acquisition, reconstruction, rehabilitation or improvement of a

Appendix C

Voluntary Agency Facility, as the case may be, the Department shall obtain for such Facility from the Voluntary Agency the following as may be applicable:

- (i) a complete Environmental Assessment Form along with such other information and documentation as the Department may require.
- (ii) the executed construction contract for the Voluntary Agency Facility including all Plans and Specifications.
- (iii) a guaranteed maximum price, fixed price or owners estimate of cost for the Voluntary Agency Facility along with a drawdown schedule for that amount.
- (iv) the executed architects' contract and other designers and consultant contracts.
- (v) building permits and all other approvals required to start construction of the Voluntary Agency Facility.
- (vi) a mortgage, mortgage note, building loan agreement, lease, sublease or financing or other documents and instruments in form and substance satisfactory to the Department.
- (vii) mortgage title insurance naming the Authority as the insured.
- (viii) such payment and performance bonds insuring the Voluntary Agency or Voluntary Agencies which own and operate the Voluntary Agency Facility and the Authority as the Department deems reasonable and prudent.
- (ix) evidence that the Voluntary Agency or Voluntary Agencies which own and operate the Voluntary Agency Facility have obtained liability and hazard insurance in amounts deemed reasonable and prudent by the Department.

The Department may in its discretion waive the requirements for the documentation described in (a) above with the exception of (i) above. *(Section 3.14)*

Other Financing Monitoring and Financing Servicing Responsibilities of the Department

The Department as financing servicer and agent of the Authority shall diligently enforce the terms of the mortgage, mortgage note, building loan agreement, lease, sublease or any financing or other agreements with the Voluntary Agencies regarding the Voluntary Agency Facilities.

The Department shall collect all payment due from each Voluntary Agency with respect to each Voluntary Agency Facility under the mortgage, mortgage note, building loan agreement, lease, sublease or any financing or other documents and arrange for prompt payment to the Authority as such documents may require. Amounts collected by the Department may be transferred to a separate account which the Authority shall cause to be established with the Comptroller, at the request of the Department, and for which the Department shall be a signatory. *(Section 3.15)*

Covenant Against Waste

The Authority and the Department covenant, and agree to require as part of any financing to a Voluntary Agency, that such Voluntary Agency covenant, not to do or suffer or permit any waste or damage, disfigurement or injury to any of the Voluntary Agency Facilities. *(Section 3.16)*

FINANCING PROVISIONS

Issuance of Bonds; Purposes

The Authority shall use its best efforts to authorize, issue, sell and deliver the Bonds, in accordance with the provisions of the Resolution, in aggregate principal amounts which, together with other moneys available therefor, are sufficient to pay the Costs of the Project with respect to each Voluntary Agency Facility. In addition to providing for the Costs of the Project with respect to each Voluntary Agency Facility, it is understood that the Resolution provides, and it is agreed, that the Authority may issue Bonds for one or more of the following purposes: (i) paying the Costs of Issuance of Bonds, (ii) refunding Bonds or other bonds, notes or other obligations of the Authority issued in connection with the Voluntary Agency Facility, (iii) refunding Prior Agency Bonds; and (iv) refunding Prior Authority Bonds. *(Section 4.01)*

FINANCIAL OBLIGATIONS; CERTAIN COVENANTS

Payments

As consideration for the financing or refinancing of the Voluntary Agency Project as provided in the Agreement, there shall be paid to the Authority the Annual Payments specified in all Supplemental Financing Agreements relating to Voluntary Agency Facilities. Concurrently with the execution of each Supplemental Financing Agreement, the Authority will have been deemed to have financed or refinanced the Voluntary Agency Facility or Voluntary Agency Facilities specified in such Supplemental Financing Agreement.

The agreement and obligation to pay installments of the Annual Payments, in the amount and manner, and at the time and place, in the Agreement and in the applicable Supplemental Financing Agreement provided, is and shall be absolute and unconditional, subject to the executory provisions of the Agreement contained therein. Each Annual Payment shall be due and payable (except to the extent of any credit therefor under the Agreement and the Resolution), and shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any rights of set-off, recoupment or counterclaim any person may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Authority to complete any Voluntary Agency Facility or the completion thereof with defects, failure of the Department to occupy or use any Voluntary Agency Facility, any damage or destruction or condemnation of all or part of any Voluntary Agency Facility, any abandonment of any Voluntary Agency Facility, any declaration or finding that the Bonds, the Agreement or the Resolution are invalid or unenforceable, or any other failure or default by the Authority or the Trustee. *(Section 5.01)*

Amount and Payment of Annual Payments

(a) Unless otherwise provided for in a Supplemental Financing Agreement, Annual Payments shall be payable to the Authority in the amounts and manner and on the dates set forth below:

(i) The amount determined by an Authorized Officer of the Authority as required to be held under the Resolution on the delivery date of any Series of Bonds, promptly after notice of the amount thereof is given to the Department;

(ii) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund, within fifteen (15) days after notice of the amount thereof is given to the Department;

(iii) At least five days prior to the first day of a month, the amount, if any, as shall be necessary to provide for the payment by the Authority of reimbursements, other than fees and charges, which are payable to each Facility Provider during such month;

(iv) On February 10 of each Bond Year with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is fixed and is payable semiannually on February 15 or

August 15, an amount equal to: (A) the interest payable on such Bonds and Parity Reimbursement Obligations on or prior to the next succeeding February 15 ; and (B) the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable on the next succeeding February 15 ;

(v) On August 10 of each Bond Year with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is fixed and is payable semiannually on February 15 or August 15, an amount equal to (A) the interest payable on such Bonds and Parity Reimbursement Obligations on or prior to the next succeeding August 15; and (B) the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable on the next succeeding August 15;

(vi) On the tenth day of each month with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable and is payable once every two (2) months or more frequently than once every two (2) months, (A) an amount equal to the interest estimated by an Authorized Officer of the Authority to be payable on such Bonds and Parity Reimbursement Obligations during the succeeding second month; plus (B) an amount equal to the fees estimated by an Authorized Officer of the Authority to be payable to broker-dealers and tender and other agents with respect to such Bonds and Parity Reimbursement Obligations for such succeeding second month; plus (C) an amount equal to the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable during such second succeeding month;

(vii) On the tenth day of each month with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable and is payable less frequently than once two (2) months but more frequently than semiannually, (A) an amount equal to the interest payable on such Bonds and Parity Reimbursement Obligations during the next succeeding month; plus (B) an amount equal to the fees estimated by an Authorized Officer of the Authority to be payable to broker-dealers and tender and other agents with respect to such Bonds and Parity Reimbursement Obligations for such next succeeding month; plus (C) an amount equal to the principal (whether by maturity, redemption or acceleration) and Sinking Fund Installments of such Bonds and Parity Reimbursement Obligations payable during such next succeeding month. With respect to such Annual Payments, the Comptroller, as permitted by subdivision 5 of section 97-f of the State Finance Law, shall set aside in the Services Fund in each month until paid to the Authority the amounts set forth below, beginning in the months set forth below and for the interest frequency periods with respect to such Bonds and Parity Reimbursement Obligations set forth below:

<u>Percentage to be Set Aside</u>	<u>First Month for Set Aside</u>	<u>Interest Frequency Period</u>
One-half of required Annual Payment amount	Second month preceding payment date to Authority	More than 2 month but less than 3 months
One-Third of required Annual Payment amount	Third month preceding payment date to Authority	More than 3 month but less than 4 months
One-Quarter of required Annual Payment amount	Fourth month preceding payment date to Authority	More than 4 month but less than 5 months
One-Fifth of required Annual Payment amount	Fifth month preceding payment date to Authority	More than 5 month but less than 6 months

(viii) On the tenth day of each month with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable and is payable semiannually or less frequently than semiannually, (A) an amount equal to the interest payable on such Bonds and Parity Reimbursement Obligations during the next succeeding month; plus (B) an amount equal to the fees estimated by an Authorized Officer of the Authority to be payable to broker-dealers and tender and other agents with respect to such Bonds and Parity Reimbursement Obligations for such next succeeding month; plus (C) an amount equal to the principal (whether by maturity, redemption or acceleration) and Sinking Fund

Installments of such Bonds and Parity Reimbursement Obligations payable during such next succeeding month. The Annual Payments with respect to such interest and fees on such Bonds and Parity Reimbursement Obligations shall be treated as required to be made semiannually for purposes of subdivision 5 of section 97-f of the State Finance Law with the effect that the first required twenty percent (20%) monthly set-aside under such subdivision 5 shall begin in the sixth month preceding the due date for such Annual Payments; and

(b) Unless otherwise provided for in a Supplemental Financing Agreement, Annual Payments shall also be payable to the Authority in the amounts and manner and on the dates set forth below (collectively, the “Annual Expenditures”):

(i) On February 10 and August 10 of each Bond Year, (A) one-half (1/2) of the Annual Administrative Fee payable during such Bond Year, (B) an amount equal to the fees or charges estimated by an Authorized Officer of the Authority to be payable to auction agents, remarketing agents and other agents with respect to Bonds and Parity Reimbursement Obligations on which interest is variable for the next succeeding half of the Bond Year; and (C) an amount equal to the fees or charges estimated by an Authorized Officer of the Authority to be payable to Credit Facility Providers for the next succeeding half of the Bond Year;

(ii) On the tenth day of each month with respect to Outstanding Bonds to be purchased pursuant to mandatory or optional tenders, an amount equal to: (A) the interest estimated by the Authority to be payable on such Bonds during the next succeeding month, and (B) the purchase price of such Bonds estimated by the Authority to be payable during such next succeeding month;

(iii) On the tenth day of each month with respect to Outstanding Bonds which are subject to a Qualified Swap for which Qualified Swap Payments are variable and are not secured by the pledge of the Resolution, the estimated amount of any such Qualified Swap Payment certified by an Authorized Officer of the Authority as payable by the Authority to a Qualified Swap Provider during the second succeeding month, including but not limited to any fees or charges in connection therewith; and

(iv) On the tenth day of each month with respect to Outstanding Bonds which are subject to a Qualified Swap for which Qualified Swap Payments are fixed and payable semiannually and are not secured by the pledge of the Resolution, the estimated amount of any such Qualified Swap Payments certified by an Authorized Officer of the Authority as payable by the Authority to a Qualified Swap Provider during such month, including but not limited to any fees or charges in connection therewith.

(c) There shall be a credit against the Annual Payments required to be made pursuant to clauses (iv) and (v) of paragraph (a) above with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is fixed and is payable semiannually in an amount equal to: (A) the amount by which the amount in the Debt Service Account on the date any such payment is to be made exceeds the amount required pursuant to Section 5.05(1) of the Resolution to be on deposit in such account or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption; and (B) the amount actually received by the Authority as a counter-payment from the Qualified Swap Provider with respect to a Qualified Swap to which such Outstanding Bonds are subject during the prior month.

(d) There shall be a credit against the Annual Payments required to be made pursuant to clauses (vi), (vii) and (viii) of paragraph (a) and clause (ii) of paragraph (b) above with respect to Outstanding Bonds and Parity Reimbursement Obligations on which interest is variable in an amount equal to: (A) the amount by which the amount in the Debt Service Account on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit in such account or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption; and (B) the amount actually received by the Authority as a counter-payment from the Qualified Swap Provider with respect to a Qualified Swap to which such Outstanding Bonds are subject during the prior month.

Appendix C

(e) The Authority shall furnish the State Division of the Budget not less than ten (10) days prior to the date on which a payment is due pursuant to the Agreement, a statement of the amount, purpose and payment date of each payment required to be made pursuant to the Agreement. The Authority agrees that it will provide the State Division of the Budget such information as may be reasonably requested by it with respect to the calculation of the Annual Expenditures and the allocation formula utilized in connection therewith. The failure to furnish such statement or information shall not affect the rights of the Authority to receive, when due, the amounts payable pursuant to the Agreement.

(f) Any payments required to be made pursuant to the Agreement which are not paid within seven (7) days after the due date thereof shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Outstanding Bonds until paid, time being of the absolute essence of this obligation.

(g) All Annual Payments and other payments required to be made under the Agreement shall be payable in lawful money of the United States, which shall be legal tender for public and private debts under the laws of the United States at the time of payment. Payment shall be made in accordance with the provisions of Section 5.05 of the Agreement. (*Section 5.02*)

State Not Liable for Annual Payments

The State shall not be liable for any of the Annual Payments or any interest thereon payable to the Authority pursuant to the provisions of the Agreement. (*Section 5.03*)

Mental Health Services Fund

(a) It is anticipated that the Annual Payments shall, subject to legislative appropriation, be payable from amounts on deposit in the Services Fund pursuant to the provisions of Section 97-f of the State Finance Law and the Pledge and Assignment.

(b) Annual Payments which are required to be made on a date on which Prior Agency Annual Payments and Prior Authority Annual Payments are not required to be made shall be made only if the amount retained in the Services Fund is not less than the amount required to be on deposit therein pursuant to Section 97-f of the State Finance Law with respect to Prior Agency Annual Payments and Prior Authority Annual Payments and other retained amounts in such fund.

(c) In addition to retaining in the Services Fund the amounts required by subdivision 5 of Section 97-f with respect to Prior Agency Annual Payments, Prior Authority Annual Payments and Annual Payments that are to be made semiannually (including Annual Payments under clauses (vii) and (viii) of paragraph (a) of "Amount and Payment of Annual Payments" above, which shall be treated as required to be made semiannually for purposes of such subdivision 5), the Comptroller shall maintain in such fund, from and after the eleventh day of the month preceding any month in which payments are due pursuant to clause (vi) of paragraph (a) under "Amount and Payment of Annual Payments" above, the amount of such Annual Payment until such amount has been paid to the Authority.

(d) It is understood that, pursuant to the Pledge and Assignment, the obligation to make Annual Payments is (i) subject to State legislative appropriations, and (ii) subject, junior and subordinate to the obligation to make Prior Authority Annual Payments to the Authority for, among other things, the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Authority Bonds, which obligation is subject, junior and subordinate to the obligation to make Prior Agency Annual Payments to the Authority for, among other things, the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Agency Bonds. (*Section 5.04*)

Direction as to Payments

The Annual Payments payable pursuant to clause (i) of paragraph (b) under "Amount and Payment of Annual Payments" above shall be paid, when due, to the Authority, and after the making of such payment, the Annual Payments payable pursuant to paragraph (a) of "Amount and Payment of Annual Payments" above shall be

paid, when due, to the Trustee for deposit and application in accordance with the Resolution, and after the making of such payment, the Annual Payments payable pursuant to clauses (ii), (iii) and (iv) of paragraph (b) of “Amount and Payment of Annual Payments” above shall be paid, when due, to the Authority.

The interest on the Annual Payments payable pursuant to the Agreement shall be paid, when due, to the Authority. *(Section 5.05)*

Indemnification of Authority

Both during the term of the Agreement and thereafter, the Department, to the extent not otherwise prohibited by State law and decisions thereunder, shall indemnify and hold the Authority and any member, officer, and employee of the Authority harmless from and against any and all liability, loss, cost, damage, claim, suit or judgment and any and all costs and expenses including, but not limited to, reasonable counsel fees and disbursements, if assessed by a court of competent jurisdiction, of any and all kinds or nature and however arising, imposed by law, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed, or upon or arising out of the financing, design, construction, reconstruction, acquisition, rehabilitation, improvement, occupancy, or use of a Voluntary Agency Facility, pursuant to the Agreement, upon or arising out of the allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of obligations contained an untrue or misleading statement of a material fact relating to the Department, the State, a Voluntary Agency Facility or the estimated sources and uses of funds, or omitted to state a material fact relating to the Department, the State, a Voluntary Agency Facility or the estimated sources and uses of funds necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that such liability, loss, cost, damage, claim, suit or judgment is not contributed to, caused by or resulted from the intentional wrong doing of the Authority, its members, officers or employees.

The indemnification provisions of the Agreement shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for in the Agreement from its obligation to defend or indemnify the Department, the Authority and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

It is the intention of the parties to the Agreement that any such insurance shall be primary, and shall take precedence to the indemnifications provided by the Department thereunder.

The Authority and each member, officer or employee shall be entitled to employ separate counsel in any action or proceeding and to participate in the defense thereof; provided, however, that the Department shall not be liable for attorneys’ fees of separate counsel so retained or any other expenses incurred in connection with its participation in the defense of such action or proceeding, other than the reasonable costs of investigation thereof, unless the Department shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) its or any member, officer or employee’s interests and the interests of the Department therein are adverse or (B) it or any member, officer or employee may have a defense available to it which is not available to the Department or (ii) the Department does not provide for legal representation.

The indemnification provisions of the Agreement shall not apply with respect to any matters concerning which the parties to be indemnified thereunder are otherwise indemnified pursuant to Section 17 of the Public Officers Law or any other statute providing equivalent indemnification. *(Section 5.06)*

MISCELLANEOUS

Reserved Right of Amendment

Notwithstanding any of the other provisions of the Agreement or of any Supplemental Financing Agreement, the Authority and the Department reserve the right to terminate, modify or amend the Agreement and any Supplemental Financing Agreement in any manner; provided, that no such termination, modification or amendment shall affect or impair in any way the right of the Authority to receive the Annual Payments at the times and in the manner and amounts provided in the Agreement and in the Supplemental Financing Agreements or any

provisions of the Agreement or of any Supplemental Financing Agreement made or provided for the purpose of assuring payment of such Annual Payments and the obligations of the Authority and the Department under the tax covenants of the Agreement. Upon termination of the Agreement and any Supplemental Financing Agreement, the Authority and Department shall include any surviving right of the Authority to receive the Annual Payments in a financing agreement permitted by law and the Resolution, and shall continue their obligations under the tax covenants of the Agreement by including identical language in any such financing agreement permitted by law and the Resolution. *(Section 6.01)*

Termination of the Agreement and Provisions Relating Thereto

The Agreement shall remain in full force and effect until the date on which (i) the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds the proceeds of which are used to finance or refinance Costs of the Project with respect to the Voluntary Agency Facilities shall have been fully paid and discharged or provision for the payment and discharge thereof shall have been made as provided by the Resolution and (ii) all other obligations, liabilities and expenses of the Authority relating to a Voluntary Agency Facility or required to be paid by the Authority in connection with such termination of the Agreement and the defeasance of the Resolution shall have been fully paid and discharged or provision satisfactory to the Authority for the payment and discharge thereof shall have been made; provided, however, that the indemnification provisions and tax covenants of the Agreement shall survive the termination of the Agreement as provided therein. *(Section 6.02)*

Tax Covenant

With respect to any Bonds the interest on which is intended to be excluded in the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code as specified in the Series Resolution or the Series Certificate, the Authority and the Department each covenant and agree that they shall comply with the provisions of the Code applicable to such Bonds, including without limitation, the provisions of the Code relating to the computation of the yield on investments of the “gross proceeds” of such Bonds, as such term is defined in the Code, reporting of the earnings on such gross proceeds, rebates of earnings on such gross proceeds to the Department of the Treasury of the United States of America, and use, ownership and management of the Voluntary Agency Facilities financed by such gross proceeds.

The Authority and the Department shall not take any action or fail to take any action with respect to the application and investment of gross proceeds of such Bonds or use, ownership or management of any Voluntary Agency Facility or portions of any Voluntary Agency Facility which would cause a failure to comply with the provisions of Sections 103 and 141 to 150 of the Code.

In furtherance of the foregoing, the Authority and, to the extent applicable to it, the Department, shall comply with the Tax Certificate delivered by the Authority and the letter of instructions, if any, delivered by Bond Counsel, at the time the Bonds of a Series are issued as to compliance with the Code with respect to such Series of Bonds, as such Tax Certificate and letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Voluntary Agency Financing Documents entered into with a Voluntary Agency with respect to each Voluntary Agency Facility financed or refinanced with proceeds of such Bonds shall contain a similar tax covenant by the Voluntary Agency and such other covenants and representations as the Authority and the Department, upon the advice of Bond Counsel, may require. *(Section 6.03)*

Non-Assignability of Agreement

The Agreement may not be assigned, except to the Trustee, by any party without the consent in writing of each other party. *(Section 6.04)*

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member of the Authority or any officer or employee of the Authority or of the State, or any person executing the Agreement for any covenants and provisions thereof or for any claims based thereon. *(Section 6.07)*

**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTIONS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following is a summary of certain provisions of the Resolution as supplemented by the Series 2003D-2 Resolution authorizing the Reoffered Bonds and the Series 2003D-2 Certificates relating thereto. . Such summary does not purport to be complete and reference is made to the Resolutions for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

AUTHORIZATION AND ISSUANCE OF BONDS

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Act. Under the Health Care Financing Consolidation Act, the Authority has succeeded to the powers, duties and functions of the Agency and the Corporation, and the corporate existence of the Agency and the Corporation shall be continued in and through the Authority. Under the Health Care Financing Consolidation Act, the Authority has the power to finance any Facility initiated on and after the effective date of such act which the Agency would be authorized to undertake by the provisions of the Agency Act, provided that such financing shall be governed by the Agency Act. (*Section 1.02*)

Resolution and Bonds Constitute a Contract

With respect to the Bonds and Parity Reimbursement Obligations, in consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds and Parity Reimbursement Obligations, and the pledge and assignment made therein and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds or Parity Reimbursement Obligations, over any other Bonds or Parity Reimbursement Obligations except as expressly provided in or permitted by the Resolution. (*Section 1.03*)

Option of Authority to Assign Certain Rights and Remedies to the Trustee

As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Outstanding Bonds and for the performance of each other obligation of the Authority under the Resolution, the Authority may grant, pledge and assign to the Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Agreement, a Credit Facility or any other agreement entered into in connection with Bonds, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under the Agreement, a Credit Facility or any other agreement entered into in connection with Bonds including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Revenues, insurance proceeds, condemnation awards, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under the Agreement, a Credit Facility or any other agreement entered into in connection with Bonds, and the right to make all waivers and agreements in the name and on behalf of the Authority, as agent and attorney-in-fact, and to perform all other necessary and appropriate acts under the Agreement, a Credit Facility or any other agreement entered into in connection with Bonds, subject to the following conditions: (a) that the Holders of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and (b) that, unless and until the Trustee shall so elect, by instrument in writing delivered to the Authority and the Department (and then only to the extent that the Trustee shall so elect), the Trustee shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in the Agreement to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision), and until such time the Authority shall remain liable to observe and perform all the conditions and covenants in the Agreement provided to be observed and performed by it; provided, however, that any grant, pledge and assignment of moneys, revenues,

accounts, rights or other property made with respect to the Agreement as described in this paragraph shall secure, in the case of the Agreement, only the payment of the amounts payable under the Agreement and pledged thereby.

In the event the Authority elects to grant, pledge and assign to the Trustee any of its rights as provided above, the Trustee shall accept such grant, pledge and assignment which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee. (*Section 1.04*)

Authorization of Bonds

Bonds of the Authority are authorized to be issued and designated as “Dormitory Authority of the State of New York Mental Health Services Facilities Improvement Revenue Bonds”, and the Resolution creates a continuing pledge and lien as provided thereby to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues (except with respect to payments to the Trustee for deposit in the Arbitrage Rebate Fund), and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Resolution, all in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided therein.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority pledged by the Resolution to the payment of the principal, Sinking Fund Installments, if any, and the Redemption Price of and interest on all the Bonds.

The Bonds may, if and when authorized by the Authority pursuant to the Resolution and one or more Series Resolutions, if applicable, be issued in one or more Series and the Bonds of each Series shall contain an appropriate Series designation. (*Section 2.01*)

Provisions for Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption of the Resolution. The Bonds of a Series authorized to be issued shall be executed by the Authority and delivered to the Trustee. Such Bonds shall from time to time and in such amounts as are directed by the Authority be authenticated by the Trustee and by it delivered to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of: (i) a copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority; (ii) a copy of the applicable Agreement, including the applicable Supplemental Financing Agreement and any Supplemental Financing Agreement not previously filed with the Trustee, certified by an Authorized Officer of the Authority; (iii) a copy of the Series Certificate executed in connection with such Bonds; (iv) a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the consideration for such Bonds; (v) a certificate of an Authorized Officer of the Authority stating that (x) as a result of the issuance of such Bonds, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained therein and (y) except in the case of Refunding Bonds, the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained therein; (vi) unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds; (vii) if a Credit Facility is to be provided in connection with the issuance of the Bonds of such Series, such Credit Facility; and (viii) an opinion of Bond Counsel stating, in the opinion of Bond Counsel, that the Resolution, including the applicable Series Resolution authorizing the Series of Bonds, has been duly and lawfully adopted by the Authority; that the Resolution is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms; that the Resolution creates the valid pledge which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation of the moneys pledged thereby for the purposes and on the terms and conditions set forth in the Resolution; and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution; provided, however, that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency,

reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy. (Section 2.02)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds or Parity Reimbursement Obligations, a portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations or a portion of a maturity of a Series of Outstanding Bonds or Parity Reimbursement Obligations, all or a portion of Prior Agency Bonds, all or a portion of Prior Authority Bonds, or all or a portion of outstanding bonds or other obligations issued by the Authority. The Authority may issue Refunding Bonds in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and the Series Resolution authorizing such Series of Refunding Bonds, by the provisions of the Prior Agency Resolution, by the provisions of the Prior Authority Resolution, or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds. With respect to the Refunding Bonds issued to refund all or any portion of any Prior Authority Bonds, the proceeds, including accrued interest, shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Prior Authority Resolution. With respect to the Refunding Bonds issued to refund all or any portion of any bonds, notes or other obligations issued by the Authority, the proceeds, including accrued interest, shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the resolution or resolutions authorizing such bonds, notes or other obligations. (Section 2.04)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, on a parity with the Bonds then Outstanding, entitled to a charge or lien or right equal to the charge or lien created by the Resolution or equal to the rights of the Authority and Holders of Bonds provided thereby or with respect to the moneys pledged by the Resolution. (Section 2.05)

Credit Facilities; Qualified Swaps and Other Similar Obligations; Parity Reimbursement Obligations

The Authority may include such provisions in a Series Resolution or related Series Certificate authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including:

(i) So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such

Bonds is required or may be exercised under the Resolution, including, without limitation, Articles IX and X thereof, and following a default under the Resolution, except where the Credit Facilities provide only liquidity support and not credit support.

(ii) In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Authority to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(iii) In addition, such Series Resolution or related Series Certificate may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility. In connection therewith the Authority may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(iv) The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Series Resolution. The Authority may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Revenues; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(v) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Series Resolution. In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Authority determines that such Qualified Swaps or other similar arrangements will assist the Authority in more effectively managing its interest costs. To the extent provided in a Series Resolution or related Series Certificate, the Authority's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(vi) Parity Reimbursement Obligations and Subordinated Indebtedness shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations and Subordinated Indebtedness be payable out of any funds other than those of the Authority pledged therefor pursuant to the Resolution. (*Section 2.06*)

PLEDGE OF REVENUES; FUNDS AND ACCOUNTS

Pledge

The proceeds from the sale of any Bonds, the Revenues (except the payments to the Trustee for deposit in the Arbitrage Rebate Fund), and all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and on the Parity Reimbursement Obligations and as security for the performance of any other obligation of the Authority under the Resolution and each Series Resolution all in accordance with the provisions thereof. The pledge and assignment of and lien upon the Net Annual Payments component of the Revenues are subject to and subordinate to the prior pledge and assignment of and lien upon the Prior Authority Annual Payments as security for the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Authority Bonds, which prior pledge and assignment and lien are subject to and subordinate to the prior pledge and assignment of and lien upon the Prior Agency Annual Payments as security for the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Agency Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Bonds or Parity Reimbursement Obligations, the Revenues, and all funds and accounts established by the Resolution and which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by the aforesaid pledge of the proceeds from the sale of any Bonds, the Revenues, and all funds and accounts established by the Resolution. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligations shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligation secured by the Subordinated Payment Fund.

Notwithstanding anything to the contrary contained in the Resolution, the Authority may incur obligations or indebtedness to any Facility Provider which are payable from the Revenues or on a parity with the Bonds and which are secured by a lien on and pledge of the Revenues equal to the lien and pledge made by the Resolution, without preference, priority or distinction over the rights of the Holders of the Bonds. *(Section 5.01)*

Establishment of Funds and Accounts

The following special funds and separate accounts within special funds are established by the Resolution and, except for the Construction Fund which shall be held and maintained by the Authority, shall be held and maintained by the Trustee:

1. Mental Health Services Facilities Improvement Construction Fund (referred to as the "Construction Fund") and a State Project Account and a Voluntary Agency Project Account therein;
2. Mental Health Services Facilities Fund (referred to as the "Revenue Fund") and a Debt Service Account therein;
3. Mental Health Services Facilities Improvement Arbitrage Rebate Fund (referred to as the "Arbitrage Rebate Fund"); and
5. Mental Health Services Facilities Improvement Subordinated Payment Fund.

Accounts and subaccounts required to be established by the Resolution, may be established from time to time in accordance with a Series Resolution, a Series Certificate or upon the direction to the Trustee by an Authorized Officer of the Authority for accounting purposes or any other purpose. All moneys at any time deposited in any fund (including all accounts and subaccounts therein) created and pledged by the Resolution or required by the Resolution to be created shall be held in trust for the benefit of the Holders of Bonds, but shall

nevertheless be disbursed, allocated and applied solely for the uses and purposes provided therein; provided, however, that the moneys derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Series Certificate relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than the Holders of such Option Bonds, and such moneys and each such fund and account are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds. *(Section 5.02)*

Application of Proceeds and Allocation Thereof

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

Accrued interest or capitalized interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Account unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or in the Series Certificate relating to such Series. *(Section 5.03)*

Application of Moneys in the Construction Fund

As soon as practicable on the date of delivery of the Bonds of a Series, the Trustee shall deposit in the Construction Fund to the credit of a Project Account the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series of Bonds or the Series Certificate relating to such Series of Bonds. In addition, the Authority shall pay over to the Construction Fund to the credit of the appropriate Project Account any moneys paid to the Authority pursuant to Section 7.08 of the Resolution.

Except as otherwise provided in the Resolution and any applicable Series Resolution or Series Certificate, moneys in the Construction Fund shall be applied only to pay the Costs of Issuance and the Costs of the Project. In addition to the State Project Account and the Voluntary Agency Project Account, a separate account within the Construction Fund (a "Project Account") appropriately named shall be established for each Other Project financed or refinanced under any Other Agreement in connection with which Bonds have been issued. For purposes of internal accounting or other purposes, the Authority may establish one or more other accounts and subaccounts in the Construction Fund or in the State Project Account, the Voluntary Agency Project Account or any other account therein as the Authority may deem proper, including without limitation, a separate subaccount within the State Project Account for each State Facility, a separate subaccount within the Voluntary Agency Project Account for each Voluntary Agency Facility or a separate subaccount within such other Project Account for each Facility comprising a part of any Other Project for which such Project Account is established.

Payments for Costs of Issuance shall be made by the Authority upon the written approval of an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment.

Payments for Cost of the Project paid by the Authority or reimbursement to the State, a Voluntary Agency or other qualified person for Costs of the Project paid by the State, a Voluntary Agency or other qualified person, in each case shall be made by the Authority upon the written approval of an Authorized Officer of the Authority stating (i) the Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which such payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment, and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund.

Moneys in the Construction Fund to be applied to pay interest on Bonds shall be transferred from the Construction Fund to the Debt Service Account at such times and in such amounts as shall be determined by an Authorized Officer of the Authority.

Subject to the provisions of the Prior Agency Resolution and the Prior Authority Resolution, as applicable, any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Department, the State or the Authority with respect to a Facility or any proceeds of the sale of a Facility received by the Authority, the State or the Department, in accordance with the terms of the applicable Agreement, shall be deposited in the Construction Fund to the credit of the applicable Project Account and used to repair, restore or replace such Facility or for any purposes of such Project Account, including payment of the Cost of the Project with respect to another Facility, and if not so used, shall be transferred to the Debt Service Account, and applied, at the option of the Authority, to pay principal, Sinking Fund Installments of or interest on the Bonds when due or to the redemption of Bonds or shall be applied to the defeasance of Bonds.

A Facility shall be deemed to be complete upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Authority or an authorized agent of the Authority which certificate shall state that such Facility has been completed and the amount of moneys, if any, to be retained in the applicable Project Account, other account or subaccount in the Construction Fund to make provision for the payment of any Cost of the Project or Costs of Issuance with respect to such Facility then remaining unpaid.

Upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Department and of the Authority which states that all of the Facilities comprising a Project have been completed, the moneys, if any, then remaining in the Project Account, other account or subaccounts in the Construction Fund established for the Facilities comprising such Project, after making provision for the payment of any Costs of Issuance and Costs of the Project with respect to such Project then unpaid, shall be transferred to and applied by the Trustee in the following order of priority:

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

Second: To the Debt Service Account, at the direction of the Authority, for the payment of principal of the Bonds and Parity Reimbursement Obligations at the maturity date or prior redemption thereof or through the purchase thereof in accordance with the Resolution, any balance remaining.

At any time prior to the filing of the certificate as to the completion of all Facilities comprising a Project, the Authority, subject to the provisions of the Resolution, may reapply moneys that are held for the payment of Cost of the Project with respect to a Facility in the State Project Account, the Voluntary Agency Project Account or such other Project Account as may be established of the Resolution thereto to such other purposes as may be provided in the related Financing Agreement (State Project), the Financing Agreement (Voluntary Agency Project) or an Other Agreement, or a Supplemental Financing Agreement, including for the purpose of paying the Costs of the Project with respect to another Facility comprising the same Project specified to be financed or refinanced from such Project Account. *(Section 5.04)*

Deposit of Revenues and Allocation Thereof

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

First: To the credit of the Debt Service Account (i) in the case of Revenues and other amounts received during the period from the beginning of each Bond Year until August 14 thereof, the amount, if any, necessary to make the amount on deposit in the Debt Service Account equal to the principal, Sinking Fund Installments and Redemption Price of Outstanding Bonds and Parity Reimbursement Obligations becoming due on or before the next succeeding August 15 and the interest payable on Outstanding Bonds and Parity Reimbursement Obligations on or before the next succeeding August 15; and (ii) in the case of Revenues and other amounts received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount on deposit in the Debt Service Account equal to the principal, Sinking Fund Installments and Redemption Price of Outstanding Bonds and Parity Reimbursement Obligations becoming due on or before the next succeeding February 15 and the interest payable on Outstanding Bonds and Parity Reimbursement Obligations on or before the next succeeding February 15 ;

Appendix D

Second: To reimburse, pro rata, each Facility Provider for payments due for use of the Credit Facility provided by such Facility Provider other than fees and charges which are then unpaid, in proportion to the amount of such payments then unpaid to each Facility Provider;

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

Fourth: To the Subordinated Payment Fund.

After making the payments required by paragraph First above, the balance, if any, of the Revenues shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to the credit of the Construction Fund or deposited by the Trustee to the credit of the Debt Service Account for application in accordance with the Resolution, or to both, in the respective amounts set forth in such direction. The Trustee shall notify the Authority promptly after making the payments required by paragraph First above of any balance remaining from such Revenues or other amounts.

The Annual Expenditures which are paid from the Annual Payments shall be deemed to have been deposited in the Revenue Fund and immediately disbursed to the Authority in accordance with the Agreement but shall not constitute Revenues which are subject to the lien and pledge of the Resolution. (*Section 5.05*)

Debt Service Account

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself as a Paying Agent and any other Paying Agent the amount of: (a) the interest due on all Outstanding Bonds on such interest payment date; (b) the principal and Sinking Fund Installments due on all Outstanding Bonds on such interest payment date; (c) moneys required for the redemption or purchase of Bonds in accordance with the Resolution; and (d) amounts due with respect to Parity Reimbursement Obligations.

The amount paid out shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to the payments due on such interest payment date to the Holders of Bonds in accordance with the Resolution.

The Authority may, at any time subsequent to February 15 or August 15 of any Bond Year on which principal or Sinking Fund Installments of Outstanding Bonds are due and payable but in no event later than the forty-fifth (45) day preceding the succeeding August 15 or February 15, as the case may be, on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Account, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bonds so purchased shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such August 15 or February 15, as the case may be; provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

In the event that on any interest payment date the amount in the Debt Service Account shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds and Parity Reimbursement Obligations, for the payment of principal of the Outstanding Bonds and Parity Reimbursement Obligations or for the payment of Sinking Fund Installments of the Outstanding Bonds and Parity Reimbursement Obligations due and payable on such interest payment date, the Trustee shall apply moneys in the Debt Service Account deposited therein for the redemption of Bonds (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority, to pay interest on, principal of or Sinking Fund Installment of Bonds and Parity Reimbursement Obligations, respectively.

Moneys in the Debt Service Account in excess of the amount required to pay (i) the principal and Sinking Fund Installments of Outstanding Bonds and Parity Reimbursement Obligations payable on or before the next succeeding semi-annual interest payment date, (ii) the interest on Outstanding Bonds and Parity Reimbursement Obligations on which interest is payable semi-annually payable on the next succeeding semi-annual interest payment date, (iii) the interest on Outstanding Bonds and Parity Reimbursement Obligations on which interest is payable more frequently than semi-annually payable prior to the next succeeding semi-annual interest payment date, and (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct.

Notwithstanding the provisions of the preceding paragraph, if the amount in the Debt Service Account at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) is sufficient to make provision pursuant to the Resolution for the payment of such Outstanding Bonds at the maturity or redemption date thereof as the Authority may select, the Authority may request the Trustee to take such action consistent with the Resolution as is required thereby to deem such Bonds to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of the Authority to purchase Defeasance Securities sufficient to make any deposit required thereby, shall comply with such request. (*Section 5.06*)

Direct-Pay Credit Facility Drawing Account.

If a Direct-Pay Credit Facility is in effect with respect to the Bonds of a Series or Subseries, the Trustee shall take all action necessary to draw or make a claim on the related Direct-Pay Credit Facility in such amounts, at such times, and in such manner as shall be necessary to pay the principal and Redemption Price (including, to the extent amounts are available therefor under the Direct-Pay Credit Facility, Sinking Fund Installments) of and interest on all Bonds (other than Bank Bonds) payable therefrom as and when the same shall become due and payable. The Trustee shall promptly deposit into the related Direct-Pay Credit Facility Drawing Account all moneys so drawn by the Trustee under the related Direct-Pay Credit Facility, which shall not be commingled with any other moneys held by the Trustee and which shall be applied to the payment of such principal, Redemption Price and interest. Moneys on deposit in the Direct-Pay Credit Facility Drawing Account shall not be used to pay principal of or interest on any Bank Bonds. If such a draw is required, the provision of indemnification under the Resolution shall not be a condition precedent to such draw or any payment therefrom.

If a Direct-Pay Credit Facility is in effect with respect to the Bonds of any Series or Subseries, the Trustee shall make payments of principal or Redemption Price of and interest on the Bonds of such Series or Subseries to their Owners in the manner provided for in the Resolution from the moneys deposited in the related Direct-Pay Credit Facility Drawing Account. If sufficient funds are not available in the related Direct-Pay Credit Facility Drawing Account, the Trustee shall apply other moneys, if any, available in the Debt Service Fund (excluding moneys available in any other Direct-Pay Credit Facility Drawing Account established with respect to any other Series of Bonds), to the extent necessary to make such payment. If the principal or Redemption Price of and interest on the Bonds of a Series or Subseries has been paid in full when due and all payments required to be made under the Direct-Pay Credit Facility have been made, the Trustee shall apply remaining moneys, if any, available in the Debt Service Fund (excluding moneys available in any other Direct-Pay Credit Facility Drawing Account established with respect to any other Series of Bonds) in an amount not to exceed the amount of the draw or borrowing under the Direct-Pay Credit Facility to reimburse the issuer of the Direct-Pay Credit Facility for such draw or borrowing after such draw or borrowing has been honored by the issuer of the Direct-Pay Credit Facility.

Amounts held in each Direct-Pay Credit Facility Drawing Account shall be held uninvested and separate and apart from all other funds and accounts. None of the Trustee, the Paying Agent, the Tender Agent or the Remarketing Agent shall have any right of payment from or a lien on any moneys held in any Direct-Pay Credit Facility Drawing Account.

In the event that there is a draw on a Direct-Pay Credit Facility in effect for Bonds of a Series or Subseries as a result of the acceleration of the maturity of all of the Bonds pursuant to the Resolution and a subsequent annulment of such acceleration prior to the proceeds of such draw being applied to the payment of principal of and interest on the Bonds of such Series or Subseries, then the Trustee shall rescind the draw on such Direct-Pay Credit Facility and/or, to the extent proceeds of a draw under such Direct-Pay Credit Facility have been received by the Trustee, the Trustee shall return such proceeds to the Facility Provider of such Direct-Pay Credit Facility, provided that the Direct-Pay Credit Facility is reinstated in accordance with its terms by the amount so returned. Nothing contained herein shall require reinstatement of the Direct-Pay Credit Facility, if the Bonds of such Series or Subseries shall have been tendered for purchase at the direction of the Facility Provider of such Direct-Pay Credit Facility as a result of the termination of the Direct-Pay Credit Facility. (Section A-503 of the Series 2003D-2 Certificate)

Subordinated Payment Fund

The Authority may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; provided, however, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Series Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Authority may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; provided, however, that the Series Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Authority.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in the preceding two paragraphs pursuant to any resolution adopted by, or otherwise at the written direction of, the Authority.

Except as otherwise provided in the Resolution or a Series Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Authority, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund. (*Section 5.08*)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Department or any qualified person for deposit therein or transferred by it or paid to it by the Authority in accordance with the provisions of the Resolution for deposit therein. Notwithstanding any other provisions of the Resolution, the Trustee shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee thereunder at such times and in such amounts as shall be set forth in such directions, and the Authority may withdraw from the Construction Fund and pay to the Trustee for deposit to the Arbitrage Rebate Fund, such amounts as shall be determined by the Authority to be necessary to comply with the Code.

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

deposited to any fund or account held pursuant to the Resolution including the Construction Fund in accordance with the directions of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto. *(Section 5.09)*

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Account, after making any necessary transfer to the Arbitrage Rebate Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Department. Upon receipt of such notice, the Authority may direct the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution. *(Section 5.10)*

Transfer of Investments

Whenever moneys in any fund or account established by the Resolution or by any Series Resolution are to be paid in accordance therewith to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or restriction applicable to moneys in such fund or in a violation of the Resolution, relating to the exclusion from gross income of the interest on certain Bonds for federal income taxation purposes. *(Section 5.11)*

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds and Parity Reimbursement Obligations, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys. *(Section 6.01)*

Investment of Funds and Accounts

Moneys held under the Resolution in any fund or account established thereby or by or pursuant to a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Rating Agency applicable to funds held thereunder, any other Investment Obligations; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; provided, further,

that (x) any Permitted Collateral required to secure any Investment Obligation shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

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

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

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

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

Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of the Resolution, in the manner provided in the Resolution, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any investment. (Section 6.02)

PARTICULAR COVENANTS

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof. (Section 7.01)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Facility Provider and to the Department. Such

report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same. *(Section 7.05)*

Creation of Liens

Except for the superior and prior pledge of and lien upon the Net Annual Payments component of the Revenues as security for the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Agency Bonds and the Prior Authority Bonds, the Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues, or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; provided, however, that nothing contained on the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations under another and separate resolution on a parity with Bonds then Outstanding pursuant to the Resolution, and (ii) incurring Parity Reimbursement Obligations. *(Section 7.06)*

Enforcement of Duties and Obligations of the Department

The Authority shall take all legally available action to cause the Department to perform fully all duties and acts and comply fully with the covenants of the Department required by the Agreement in the manner and at the times provided in the Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established thereunder) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds. *(Section 7.07)*

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation and improvement or otherwise providing, furnishing and equipping of a Facility shall be deposited in the Construction Fund to the credit of the appropriate Project Account and such subaccount therein as may be established for such Facility. *(Section 7.08)*

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this paragraph shall be subject to the provisions of the Resolution. *(Section 7.09)*

Pledge and Assignment of Net Annual Payments; Amendment of Agreement

The Net Annual Payments are pledged and assigned to the Trustee for the benefit of the Holders of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such pledge and assignment and the provisions of the Agreement providing for the payment thereof in the manner provided in the Agreement and the Resolution; provided that such pledge and assignment is subject and subordinate to the prior pledge and assignment of and lien upon the Prior Authority Annual Payments as security for the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Authority Bonds, which prior pledge and assignment and lien are subject to and subordinate to the prior pledge and assignment of and lien upon the Prior Agency Annual Payments as security for

the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Prior Agency Bonds.

All Net Annual Payments shall be paid directly to the Trustee for the account of the Authority and deposited by the Trustee in the Revenue Fund. The Trustee, upon receiving any checks for payments on account thereof, shall endorse the same in the name and on behalf of the Authority and cause the same to be presented for collection in due course and deposit the proceeds thereof in the Revenue Fund, and is authorized and empowered so to do by the Resolution. Any Net Annual Payments which may be received by the Authority shall be paid over to the Trustee as received, and the Authority covenants and agrees so to do.

Notwithstanding anything to the contrary contained in the Resolution, the Authority reserves the right to enter into any Other Agreement and to terminate, modify or amend any of the Agreement and any Supplemental Financing Agreement in any manner; provided, however, that if such termination, modification or amendment shall affect or impair in any way the obligation to pay the Net Annual Payments at the times and in the manner and amounts in any of the Agreement and in the Supplemental Financing Agreements provided or any provisions of any of the Agreement or of any Supplemental Financing Agreement made or provided for the purpose of assuring payment of such Net Annual Payments, then no such termination, modification or amendment shall take effect without the prior written consent of (i) the Holders of at least a majority in principal amount of the Bonds then Outstanding or (ii) in case less than all of the several Series of Bonds then outstanding are affected by the termination, modification or amendment, the Holders of not less than a majority in principal amount of the Bonds so affected. *(Section 7.10)*

Payment of Lawful Charges

The Authority shall pay or take all legally available action to cause the Department to pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon any Revenues, or any fund or account created under the Resolution or any Series Resolution, when the same shall become due. Except as otherwise provided by the Resolution and by the Agreement, the Authority shall not create or suffer to be created any lien or charge upon the Revenues, or any fund or account created under the Resolution or any Series Resolution, except the pledge and lien of the Resolution and of the Bonds. The Authority shall pay or cause to be paid or cause to be discharged, or shall make adequate provisions to satisfy and discharge all lawful claims and demands for labor, materials, equipment, supplies or other objects which, if unpaid, might by law become a lien upon the Revenues; provided, however, that nothing in the Resolution shall require the Authority to pay or cause to be paid or discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings. *(Section 7.11)*

Abandonment, Sale, Lease or Condemnation of a Facility

The Authority shall not permit the abandonment of the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing and furnishing and equipping of a Facility, or any abandonment, sale, lease or other disposition of a Facility except in accordance with the provisions of the applicable Agreement. The proceeds of any condemnation, sale, or other disposition of a Facility shall be applied by the Authority in accordance with the applicable Agreement. *(Section 7.12)*

Tax Exemption; Rebates

The following provisions shall not apply to Bonds the interest on which is not intended to be excluded from gross income for federal income taxation purposes, as specified in an applicable Series Resolution or Series Certificate.

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Series the interest on which is intended to be so excluded, the Authority shall comply with the provisions of the Code applicable to the Bonds of a Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of a Series of Bonds, reporting of

earnings on the Gross Proceeds of a Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the Tax Certificate delivered by the Authority and the letter of instructions, if any, delivered by Bond Counsel, at the time the Bonds of a Series are issued as to compliance with the Code with respect to such Series of Bonds, as such Tax Certificate and letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action with respect to the application and investment of Gross Proceeds of Bonds or use, ownership or management of any Facility or portions of any Facility which would cause a failure to comply with the provisions of Sections 103 and 141 to 150 of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of a Series shall not entitle the Holder of Bonds of any other Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Holders of Bonds under the Resolution based upon the Authority's failure to comply with the above provisions or the Code. (*Section 7.13*)

Compliance with Prior Agency Resolution; Amendments Thereof; Incurring of Debt Thereunder

So long as any of the Prior Agency Bonds are outstanding, the Authority, in its capacity as successor to the powers, functions, and duties of the Agency, shall comply in all respects with each of the provisions, covenants and agreements of or contained in the Prior Agency Resolution.

The Authority will not consent to or agree to any change, amendment or modification of the Prior Agency Resolution which would in any way or manner affect adversely the rights or interests of the Holders of the Bonds.

The Authority will not issue bonds, notes, certificates of indebtedness or other evidences of indebtedness or incur any other form of indebtedness under the Prior Agency Resolution. (*Section 7.15*)

Compliance with Prior Authority Resolution; Amendments Thereof; Incurring of Debt Thereunder.

So long as any of the Prior Authority Bonds are outstanding, the Authority shall comply in all respects with each of the provisions, covenants and agreements of or contained in the Prior Authority Resolution.

The Authority will not consent to or agree to any change, amendment or modification of the Prior Authority Resolution which would in any way or manner affect adversely the rights or interests of the Holders of the Bonds.

The Authority will not issue bonds, notes, certificates of indebtedness or other evidences of indebtedness or incur any other form of indebtedness under the Prior Authority Resolution. (*Section 7.16*)

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

- (a) to provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) to provide for the incurrence of Parity Reimbursement Obligations pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Parity Reimbursement Obligations may be incurred;

Appendix D

(c) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(d) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(e) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained therein;

(f) to confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions thereof, of the Revenues, or any pledge of any other moneys or funds;

(g) to modify any of the provisions of the Resolution or of any previously adopted Series Resolution in any other respect, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions;

(h) to modify the provisions of the Resolution regarding the investments of funds and accounts in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Account in any manner inconsistent with the provisions of the Resolution and shall not result in the reduction by each Rating Agency of the ratings assigned thereby to any of the Outstanding Bonds;

(i) to modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Authority determines that such Series Resolution or Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

(j) to authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Authority to specify or determine) the matters and things required or permitted by the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

(k) to modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

(l) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable if any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions thereof or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of the Bonds in any material respect. (*Section 9.01*)

Supplemental Resolutions Effective With Consent of Holders of Bonds

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. *(Section 9.02)*

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions thereof. Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument provided in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized by the Resolution to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby. *(Section 9.03)*

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to

whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution. (*Section 10.01*)

Consent of Holders of Bonds

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the preceding paragraph to take effect when and as provided in this and the following paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Bonds (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Holder of Bonds shall be binding upon the Holder of the Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Resolution, shall be given to the Holders of Bonds by the Authority by mailing such notice to the Holders of Bonds and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee is filed. The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution). A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such publication is required, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of amendments of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution as provided therein, except that no proof of ownership shall

be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority. *(Section 10.02)*

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Holders of Bonds either by mailing or publication shall be required. *(Section 10.03)*

DEFAULTS AND REMEDIES

Events of Default

An event of default shall exist under the Resolution if: (a) payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or (b) payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or (c) the Authority shall default in the due and punctual performance of the covenants relating to tax exemption contained in the Resolution and, as a result thereof, the interest on the Bonds of a Series to which such covenants apply shall no longer be excluded from gross income under Section 103 of the Code; or (d) the Authority shall default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds. *(Section 11.02)*

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in “Events of Default” above, other than an event of default specified in clause (c) above, then and in every such case the Trustee may, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds and the interest accrued thereon to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Bonds or any Series Resolution to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Account sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Resolution (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon. *(Section 11.03)*

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in “Events of Default” above, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of an event of default specified in clause (c) of “Events of Default” above, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the laws of the State or under the Resolution or any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or in aid or execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and each Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any event of default specified in “Events of Default” above becoming, and at any time remaining, due from the Authority for principal, Redemption Price or interest or otherwise under any of the provisions of the Resolution or any Series Resolution or the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and any Series Resolution and such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution and such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable. (*Section 11.04*)

Priority of Payments After Default

If at any time the moneys held by the Trustee under the Resolution and under each Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds and on Parity Reimbursement Obligations as the same become due and payable (either by their terms or by acceleration of maturity, such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Agreement entitled “Defaults and Remedies” or otherwise, shall be applied (after first depositing in the Arbitrage Rebate Fund all amounts required to be deposited therein and then paying all amounts owing to the Trustee under the Resolution) as follows:

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

First: To the payment to the persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

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

(b) If the principal of all of the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds and the Parity Reimbursement Obligations without preference or priority of principal over interest or of interest over

principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, or of any Bond over any Parity Reimbursement Obligation, or of any Parity Reimbursement Obligation over any other Parity Reimbursement Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in the Bonds or Parity Reimbursement Obligations.

Whenever moneys are to be applied by the Trustee pursuant to the above provisions, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the Resolution shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement. *(Section 11.05)*

Bondholders' Direction of Proceedings

Anything to the contrary in the Resolution notwithstanding, the Holders of a majority in principal amount of the Outstanding Bonds, or, in the case of an event of default specified in paragraph (c) of "Events of Default" above, the Holders of a majority in principal amount of Outstanding Bonds of the Series affected thereby, shall have the right to direct, by an instrument in writing executed and delivered to the Trustee, the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and the Series Resolution for each such Series of Bonds affected, provided, that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and the Series Resolution for each such Series of Bonds affected, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction. *(Section 11.07)*

Limitation of Rights of Individual Bondholder

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of an event of default specified in clause (c) of "Events of Default" above, the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds affected thereby. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) an interest on such Bond on the stated maturity of such Bond (or, in the case of redemption, on the redemption date)

and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. (Section 11.08)

DEFEASANCE

If the Authority shall pay or cause to be paid to the Holders of the Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution and in the applicable Series Resolution and the applicable Series Certificate, then the pledge of the Revenues, or other moneys and securities pledged by the Resolution to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series not theretofore surrendered for such payment or redemption or for any other purposes of the Resolution shall be first deposited in the Arbitrage Rebate Fund in accordance with the direction of an Authorized Officer of the Authority and thereafter paid or delivered by the Trustee to the Authority, in each case, free from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any Series, any Subseries or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of which Series or Subseries of Bonds or which maturity within a Series or Subseries or the principal amount of Bonds within a maturity of a Series or Subseries payment of which shall be made in accordance with the Resolution. The Trustee shall select which Bonds of like Series or Subseries and maturity payment of which shall be made in accordance with the Resolution in the manner provided therein. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and subject to any applicable tax covenant, be reinvested in defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further that moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, held by or deposited with the Trustee at the same

time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, paid by the Trustee as follows: first to the Arbitrage Rebate Fund the amount specified to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; and then the balance thereof to the Authority. The moneys so paid by the Trustee shall be released and free from any trust, pledge, lien, encumbrance or security interest created hereby or by the Agreement.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys or Defeasance Securities on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority. (Section 12.01)

ADDITIONAL PROVISIONS WITH RESPECT TO BONDS BEARING INTEREST AT A VARIABLE INTEREST RATE

Optional Tenders of Bonds in Weekly Mode

The Owners of Bonds of a Series or Subseries in a Weekly Mode that are not Bank Bonds may elect to have such Bonds (or portions thereof in Authorized Denominations) purchased at a price equal to the Purchase Price upon delivery of an irrevocable written notice of tender by hand delivery or Electronic Means to the Tender Agent and Remarketing Agent at their respective Principal Offices, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Optional Tender Date specified by the Owner. Such notice shall (i) state the number and the principal amount of such Bond being tendered and (ii) state that such Bond shall be purchased on the Optional Tender Date so specified by the Owner. The Tender Agent shall notify the Trustee by the Close of Business on the next succeeding Business Day of the receipt of any notice pursuant to this paragraph.

Notwithstanding anything contained in the above two paragraphs to the contrary, during any period that the Bonds of a Series or Subseries are issued registered in the name of DTC or a nominee thereof pursuant to the Resolutions, (i) any notice of tender delivered pursuant to the resolutions shall identify the DTC participant through

whom the beneficial owner will direct transfer; (ii) on or before the Optional Tender Date, the beneficial owner must direct (or if the beneficial owner is not a DTC participant, cause its DTC participant to direct) the transfer of said Bond on the records of DTC; and (iii) it shall not be necessary for Bonds of a Series or Subseries to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC. In accepting a notice of tender of any Bond of a Series or Subseries as provided above, the Trustee and the Tender Agent may conclusively assume that the Person providing the notice of tender is the beneficial owner of the Bonds being tendered and therefore entitled to tender them. The Trustee and Tender Agent assume no liability to anyone in accepting a notice of tender from a Person whom it reasonably believes to be such a beneficial owner of the Bonds of the Series or Subseries. (*Section A-401 of the Series 2003D-2 Certificate*)

Mandatory Purchase on Any Conversion Date

Except for Bank Bonds, and, unless the Daily Mode or Weekly Mode, as applicable, is not a covered Mode in a Liquidity Facility applicable thereto, Bonds of a Series or Subseries to be converted from a Daily Mode to a Weekly Mode, and Bonds of a Series or Subseries to be converted from a Weekly Mode to a Daily Mode, the Bonds of a Series or Subseries to be changed to any Mode from any other Mode are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price. (*Section A-403 of the Series 2003D-2 Certificate*)

Mandatory Purchase Upon Expiration Date, Termination Tender Date and Substitution Date.

Except for Bank Bonds, the Bonds of a Series or Subseries in a Weekly Mode shall be subject to mandatory tender for purchase on:

- (i) the second Business Day preceding the Expiration Date of a Credit Facility or Liquidity Facility, which second Business Day is hereinafter referred to as an “Expiration Tender Date”;
- (ii) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Credit Facility or a Liquidity Facility, which fifth calendar day is hereinafter referred to as a “Termination Tender Date”, if the Liquidity Facility permits a draw thereon on the Termination Tender Date;
- (iii) the Substitution Date for a Credit Facility or a Liquidity Facility. (*Section A-405 of the Series 2003D-2 Certificate*)

Notice of Mandatory Tender for Purchase

(a) The Trustee shall, at least fifteen (15) days prior to the Expiration Tender Date with respect to Bonds of a Series or Subseries, give notice of the mandatory tender of the Bonds of such Series or Subseries on such Expiration Tender Date if it has not theretofore received confirmation that the Expiration Date has been extended.

(b) Upon receipt of a written notice from the Credit Facility Provider, the Liquidity Facility Provider or the Authority that the Credit Facility or the Liquidity Facility, as the case may be, will terminate or the obligation of the Credit Facility Provider or Liquidity Facility Provider, as the case may be, to provide a loan thereunder will terminate prior to its Expiration Date, the Trustee shall within one (1) Business Day give notice of the mandatory tender of the Bonds of such Series or Subseries that is to occur on such Termination Tender Date if it has not theretofore received from the Credit Facility Provider, the Liquidity Facility Provider or the Authority, as the case may be, a notice stating that the event which resulted in the Credit Facility Provider, the Liquidity Facility Provider or the Authority giving a notice of the Termination Date has been cured and that the Credit Facility Provider, the Liquidity Facility Provider or the Authority has rescinded its election to terminate the Credit Facility or Liquidity Facility, as the case may be. Notwithstanding anything to the contrary in subsection (f) below, such notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as provided in this subsection (b) shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

(c) The Trustee shall, at least fifteen (15) days prior to any Substitution Date with respect to a Liquidity Facility relating to any Bonds, give notice of the mandatory tender of such Bonds that is to occur on such Substitution Date.

(d) The Trustee shall, at least fifteen (15) days prior to any Conversion Date or any Purchase Date (other than a Purchase Date for any Flexible Rate Bond) give notice of the mandatory tender for purchase of such Bonds that is to occur on such date.

(e) Notice of any mandatory tender of Bonds of a Series or Subseries shall state that such Bonds are to be purchased because of a Conversion or because of the expiration, termination or substitution of the Liquidity Facility or Credit Facility, shall be provided by the Trustee or caused to be provided by the Trustee by mailing a copy of the notice of mandatory tender by first class mail to each Owner of Bonds of the Series or Subseries at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify the Mandatory Tender Date, the Purchase Price, the place and manner of payment, that the Owner has no right to retain such Bonds and that no further interest will accrue from and after the Mandatory Tender Date to such Owner. Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Bonds of a Series or Subseries shall in addition specify the conditions that have to be satisfied pursuant to the Resolutions in order for the new Mode to become effective and the consequences that the failure to satisfy any of such conditions would have. In the event a mandatory tender of Bonds of a Series or Subseries shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. The Trustee shall give a copy of any notice of mandatory tender given by it to the other Notice Parties. Any notice mailed as provided in under this heading "Notice of Mandatory Tender for Purchase" shall be conclusively presumed to have been duly given, whether or not the Owner of any Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Trustee to give a notice as provided under this heading "Notice of Mandatory Tender for Purchase" shall not affect the obligation of the Tender Agent to purchase the Bonds of a Series or Subseries subject to mandatory tender for purchase on the Mandatory Tender Date. *(Section A-406 of the Series 2003D-2 Certificate)*

Purchase Fund

(a) Pursuant to the Series 2003D-2 Certificate, there is established, and maintained with the Tender Agent for the Bonds of each Series or Subseries, a separate fund to be known as the "Purchase Fund" and within the Purchase Fund, a separate account known as the "Liquidity Facility Purchase Account" and a separate account known as the "Remarketing Proceeds Account."

(b) Upon receipt of the proceeds of a remarketing of Bonds of a Series or Subseries on a Tender Date, the Tender Agent shall deposit such proceeds in the related Remarketing Proceeds Account for application to the payment of the Purchase Price of such Bonds. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent shall immediately pay such proceeds to or for the account of the related Liquidity Facility Provider to the extent of any amount owing to the Liquidity Facility Provider.

(c) Upon receipt by the Tender Agent of the proceeds of any draw on a Liquidity Facility supporting Bonds of a Series or Subseries, the Tender Agent shall deposit such moneys in the related Liquidity Facility Purchase Account for application to the payment of the Purchase Price of Bonds of such Series or Subseries (other than Bank Bonds). Any amounts deposited in the Liquidity Facility Purchase Account for Bonds of a Series or Subseries and not needed with respect to any Tender Date for the payment of the Purchase Price for any Bonds of such Series or Subseries shall be returned immediately to the Liquidity Facility Provider, and in any event not later than 4:00 p.m. on the Tender Date.

(d) Amounts held by the Tender Agent in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account relating to the Bonds of a Series or Subseries shall not be deemed as part of the Trust Estate and shall be held uninvested and separate and apart from all other funds and accounts. Amounts so held or available to be drawn under the Liquidity Facility for deposit in a Liquidity Facility Purchase Account shall not be available to pay the Purchase Price of Bonds of any Series or Subseries other than Bonds of the Series or Subseries that are supported by such Liquidity Facility. None of the Trustee, the Paying Agent, the Tender Agent or

the Remarketing Agent shall have any right of payment from or lien on any moneys held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account.

(e) The Tender Agent shall pay the Purchase Price of Bonds to their Owners from the moneys in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account in accordance with the Resolutions by the Close of Business on any Tender Date. (Section A 407 of the Series 2003D-2 Certificate)

Remarketing of Bonds

The Remarketing Agent for Bonds of a Series or Subseries shall offer for sale and use its best efforts to find purchasers for (i) all Bonds of such Series or Subseries or portions thereof as to which notice of an optional tender has been given and (ii) all Bonds of a Series or Subseries required to be tendered for purchase. To the extent a Liquidity Facility is in effect, no Bonds of a Series or Subseries supported by such Liquidity Facility shall be remarketed to the Authority, or any affiliate of the Authority, nor shall any Bank Bonds be remarketed unless the Liquidity Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Bonds became Bank Bonds.

The Remarketing Agent shall at or before 11:00 a.m. on the Tender Date (a) notify the Authority, the Trustee and the Tender Agent by Electronic Means of the amount of tendered Bonds of the Series or Subseries that were not successfully remarketed, and (b) confirm to the Trustee and the Tender Agent the transfer of the Purchase Price of remarketed Bonds of the Series or Subseries to the Tender Agent in immediately available funds at or before 11:15 a.m., such confirmation to include the pertinent Fed Wire reference number. To the extent a Liquidity Facility is in effect, the Trustee shall draw on the Liquidity Facility, in accordance with the terms thereof, by 11:30 a.m. on the Tender Date in an amount equal to the Purchase Price of all Bonds of the Series or Subseries tendered or deemed tendered less the aggregate amount of remarketing proceeds confirmed to the Trustee and the Tender Agent by the Remarketing Agent and shall cause the proceeds of such draw to be transferred to the Tender Agent by no later than 2:30 p.m. Notwithstanding the foregoing, the Trustee shall draw on the Liquidity Facility, if any, in an amount equal to the Purchase Price of all Bonds of the Series or Subseries tendered or deemed tendered for purchase on each Tender Date if it does not receive a confirmation from the Remarketing Agent as provided above. To the extent a Liquidity Facility is in effect, the Tender Agent shall confirm to the Authority and the Trustee by 2:30 p.m. on the Tender Date, receipt of the proceeds of any draw on the Liquidity Facility.

The Remarketing Agent shall notify the Authority by Electronic Means of any proposed remarketing of Bank Bonds by the Close of Business on the Business Day preceding the proposed date of remarketing of such Bank Bonds. (*Section A-408 of the Series 2003D-2 Certificate*)

Source of Funds for Purchase of Bonds

On or before the Close of Business on the Tender Date with respect to Bonds of a Series or Subseries, the Tender Agent shall purchase such Bonds from the Owners at 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:

- (a) immediately available funds on deposit in the Remarketing Proceeds Account with respect to Bonds of such Series or Subseries; and
- (b) to the extent a Liquidity Facility is in effect, immediately available funds on deposit in the Liquidity Facility Purchase Account derived from the Liquidity Facility relating to Bonds of such Series or Subseries; *provided, however*, that moneys on deposit in the Liquidity Facility Purchase Account shall not be used to purchase Bank Bonds.

Notwithstanding the foregoing, the Authority shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any Bond that is tendered or deemed tendered for purchase in accordance with the Resolutions and the Purchase Price of which is not paid on the Tender Date from any of the sources identified above. None of the Authority, the Trustee, the Tender Agent nor the Remarketing Agent shall have any liability or obligation to pay or, except from the sources identified above,

make available such Purchase Price. The failure to pay any such Purchase Price for Bonds of a Series or Subseries that have been tendered or deemed tendered for purchase from any of the sources identified above shall not constitute an Event of Default under the Resolution and in the case of such failure such Bonds shall not be purchased and shall remain in the Mode in effect immediately preceding such Tender Date unless such Mode is automatically converted to a Weekly Rate Mode pursuant to the Resolutions. (*Section A-409 of the Series 2003D-2 Certificate*)

Delivery and Payment for Purchased Bonds; Undelivered Bonds

Except as otherwise required or permitted by the book entry only system of the Securities Depository, in order for payment to be made on the Tender Date, the Bonds of a Series or Subseries purchased pursuant to the Resolutions shall be delivered (with all necessary endorsements) at or before 1:00 p.m. on the Tender Date at the office of the Tender Agent in New York, New York; *provided, however*, that payment of the Purchase Price of any Bond of a Series or Subseries purchased pursuant to an optional tender shall be made only if such Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by the Close of Business on the Tender Date, or, if the Owner has not provided or caused to be provided wire transfer instructions, by check mailed to the Owner at the address appearing in the books required to be kept by the Trustee pursuant to the Resolution. If Bonds of a Series or Subseries to be purchased are not delivered by the Owners to the Tender Agent by 1:00 p.m. on the Tender Date, the Tender Agent shall hold any funds received for the purchase of such Bonds in trust in a separate account and shall pay such funds to the former Owners upon presentation of the Bonds subject to tender. Any such amounts shall be held uninvested. Such undelivered Bonds shall be deemed tendered and cease to accrue interest as to the former Owners on the Tender Date, and moneys representing the Purchase Price shall be available against delivery of those Bonds at the Principal Office of the Tender Agent; *provided, however*, that any funds which shall be so held by the Tender Agent and which remain unclaimed by the former Owner of any such Bond not presented for purchase for a period of two years after delivery of such funds to the Tender Agent, shall, to the extent permitted by law, upon request in writing by the Authority and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to the Authority free of any trust or lien and thereafter the former Owner of such Bond shall look only to the Authority and then only to the extent of the amounts so received by the Authority without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Bonds. The Tender Agent shall authenticate a replacement Bond of a Series or Subseries for any undelivered Bond of such Series or Subseries which may then be remarketed by the Remarketing Agent. (*Section A-411 of the Series 2003D-2 Certificate*)

Draws on Liquidity Facility

To the extent a Liquidity Facility is in effect with respect to the Bonds of a Series or Subseries, by 11:30 a.m. p.m. on each Tender Date with respect to Bonds of such Series or Subseries, the Trustee shall draw on the Liquidity Facility supporting the Bonds of such Series or Subseries in accordance (other than Bank Bonds) with the terms thereof and cause to have transferred the proceeds of such draw to the Tender Agent so as to have funds deposited with the Tender Agent by 2:30 p.m. on such date in an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of such Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith. The Tender Agent shall deposit said proceeds in the related Liquidity Facility Purchase Account.

Notwithstanding the foregoing provisions of this Section, the Trustee shall not draw on a Liquidity Facility with respect to the Purchase Price of Bank Bonds or Bonds of a Series or Subseries owned by the Authority, any subsidiary or affiliate of the Authority, or the Liquidity Facility Provider. (*Section A-412 of the Series 2003D-2 Certificate*)

Liquidity Facilities and Credit Facilities

Whenever any Bonds of a Series or Subseries bear interest at a Daily, Weekly, Flexible or Term Rate and upon any conversion of Bonds of a Series or Subseries to the Daily, Weekly, Flexible or Term Rate Mode, the Authority shall obtain a Liquidity Facility for all, but not less than all, of such Series or Subseries of Bonds. Such Liquidity Facility must meet the requirements of set forth below under this heading "Liquidity Facilities and Credit

Facilities”; *provided, however*, a Liquidity Facility that does not meet such requirements may be delivered with the prior written consent of the Credit Facility Provider, if any, upon approval of the terms and conditions of such Liquidity Facility, and the consent of Remarketing Agent of the Series or Subseries of Bonds to which such Liquidity Facility relates. The minimum amount of moneys available to be obtained under a Liquidity Facility on any date shall be the sum of (i) the principal amount of the Series or Subseries of Bonds to which such Liquidity Facility relates that are Outstanding on such date (other than Bank Bonds), plus (ii) an amount with respect to interest on such Series or Subseries of Bonds equal to interest accruing for such period and at such rate as in the determination of an Authorized Officer of the Authority is necessary to obtain the highest short-term ratings on such Series or Subseries of Bonds. (*Section A-501 of the Series 2003D-2 Certificate*)

At any time, the Authority may provide for the delivery to the Trustee of (i) an initial and an Alternate Liquidity Facility with respect to the Bonds of any Series or Subseries, and/or (ii) an initial and an Alternate Credit Facility with respect to the Bonds of any Series or Subseries. The Authority shall not obtain a Liquidity Facility for the Bonds of a Series or Subseries or provide for the delivery of a Liquidity Facility or Alternate Liquidity Facility for the Bonds of a Series or Subseries to the Trustee without the prior consent of the Credit Facility Provider, if any, for the Bonds of such Series or Subseries. Any such Liquidity Facility or Alternate Liquidity Facility obtained by the Authority shall be rated at least “A-1” by Standard and Poor’s Ratings Service and Fitch Ratings. Any such Liquidity Facility or Credit Facility shall provide that a Termination Date which permits the Trustee to make on the Termination Tender Date a draw under the Liquidity Facility or the Credit Facility, as the case may be, shall not occur unless written notice thereof is given to the Trustee and the Tender Agent at least sixteen (16) days prior to the Termination Tender Date. To the extent that any Liquidity Facility or Credit Facility permits the issuer thereof to assign its obligation thereunder, such Liquidity Facility or Credit Facility, as the case may be, shall provide that such assignment shall not be effective unless a written notice of such assignment is given to the Trustee and the Tender Agent at least sixteen (16) days prior to the effective date of such assignment. On or prior to the date on which a Liquidity Facility or Credit Facility is obtained or delivered to the Trustee, the Authority shall furnish to the Trustee a Favorable Opinion of Bond Counsel. All Outstanding Bonds of the Series or Subseries to which such Liquidity Facility or Credit Facility relates will become subject to mandatory tender for purchase on the Substitution Date.

At the direction of the Authority, the Trustee shall execute and deliver any instrument that, upon such execution and delivery by the Trustee, would constitute a “Credit Facility” or “Liquidity Facility.”

The Authority shall deliver to the Trustee, the Tender Agent, the Credit Facility Provider, if any, and the Remarketing Agent a copy of each Liquidity Facility or Credit Facility obtained on the effective date of such Liquidity Facility or Credit Facility. If at any time there shall have been delivered to the Trustee (i) an Alternate Credit Facility or Alternate Liquidity Facility in substitution for the Credit Facility or Liquidity Facility with respect to Bonds of a Series or Subseries then in effect and (ii) a Favorable Opinion of Bond Counsel, then, providing that any condition to substitution contained in the existing Credit Facility or Liquidity Facility shall have been satisfied, the Trustee shall accept such Alternate Credit Facility or Alternate Liquidity Facility and, subject to the provisions of the next paragraph below, shall surrender the Credit Facility or Liquidity Facility then in effect to the Credit Facility Provider or Liquidity Facility Provider on the effective date of the Alternate Credit Facility or Alternate Liquidity Facility. In the event of an extension of the Expiration Date, the Authority shall give the Trustee, the Tender Agent, the Credit Facility Provider and the Remarketing Agent a written notice of the new Expiration Date at least sixteen (16) days prior to the Expiration Tender Date. In the event of a substitution of a Liquidity Facility with an Alternate Liquidity Facility or of a Credit Facility with an Alternate Credit Facility, the Authority shall give the Trustee, the Tender Agent and the Remarketing Agent a written notice of the Substitution Date at least sixteen (16) days prior to such Substitution Date. The Authority shall give the Trustee, Tender Agent and the Remarketing Agent a written notice of its election to terminate the Credit Facility or the Liquidity Facility at least sixteen (16) days prior to the Termination Tender Date resulting from its election to terminate such Credit Facility or Liquidity Facility.

In no event shall the Trustee surrender or cancel a Liquidity Facility relating to the Bonds of any Series or Subseries unless it has received funds, either from proceeds of remarketing or a draw under the Liquidity Facility to be surrendered or cancelled, sufficient to pay the Purchase Price of such Bonds to the applicable Mandatory Tender Date. In no event shall the Trustee surrender or cancel a Credit Facility relating to the Bonds of any Series or Subseries unless it has received funds sufficient to pay the Purchase Price of such Bonds to the applicable Mandatory Tender Date.

The Trustee shall not sell, assign or otherwise transfer the Credit Facility or Liquidity Facility, except to a successor Trustee hereunder and in accordance with the terms of the Credit Facility or Liquidity Facility and the Resolutions.

To the extent that both the Liquidity Facility Provider for the Bonds of a Series or Subseries is not at the same time also the Credit Facility Provider with respect to such Bonds and the Credit Facility Provider is an insurance company, neither the Authority nor the Trustee shall consent to the substitution of a new Credit Facility Provider for the then-existing Credit Facility Provider, or the surrender, cancellation, termination, amendment or modification of the then-existing Credit Facility, without the prior written consent of the Liquidity Facility Provider.

On or prior to the Substitution Date, no drawing under an Alternate Liquidity Facility shall be made by the Trustee if the predecessor Liquidity Facility shall be effective and available to make drawings thereunder on the date of such drawing. After the Substitution Date, no drawing under a predecessor Liquidity Facility shall be made by the Trustee if the Alternate Liquidity Facility shall be effective and available to make drawings thereunder on the date of such drawing. (*Section A-502 of the Series 2003D-2 Certificate*)

[THIS PAGE INTENTIONALLY LEFT BLANK]

OPINIONS OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

**OPINION OF BOND COUNSEL
DELIVERED UPON ISSUANCE OF THE SERIES 2003D-2 BONDS**

Upon delivery of the Series 2003D-2 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, issued its approving opinion with respect to the Reoffered Bonds substantially in the following form:

HAWKINS DELAFIELD & WOOD LLP
67 WALL STREET
NEW YORK, NEW YORK 10005

July 15, 2003

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$72,500,000 aggregate principal amount of Mental Health Services Facilities Improvement Revenue Bonds, Series 2003C-2 (the "Series 2003C-2 Bonds") and \$818,800,000 aggregate principal amount of Mental Health Services Facilities Improvement Revenue Bonds, Series 2003D-2 (the "Series 2003D-2 Bonds" and, together with the Series 2003C-2 Bonds, the "Offered Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Dormitory Authority Act"). The Series 2003D-2 Bonds consist of nine subseries: \$156,000,000 Subseries D-2A (the "Subseries 2003D-2A Bonds"), \$158,900,000 Subseries D-2B (the "Subseries 2003D-2B Bonds"), \$99,700,000 Subseries D-2C (the "Subseries 2003D-2C Bonds"), \$50,000,000 Subseries D-2D (the "Subseries 2003D-2D Bonds"), \$99,700,000 Subseries D-2E (the "Subseries 2003D-2E Bonds"), \$50,000,000 Subseries D-2F (the "Subseries 2003D-2F Bonds"), \$50,000,000 Subseries D-2G (the "Subseries 2003D-2G Bonds"), \$50,000,000 Subseries D-2H (the "Subseries 2003D-2H Bonds"), and \$104,500,000 Subseries D-2I (the "Subseries 2003D-2I Bonds").

The Offered Bonds are issued under and pursuant to the Dormitory Authority Act, the New York State Medical Care Facilities Finance Agency Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the "Act"), the Second Mental Health Services Facilities Improvement Revenue Bond Resolution adopted by the Authority on February 26, 2003 (the "Bond Resolution"), as supplemented by series resolutions adopted by the Authority on February 26, 2003 authorizing the Series 2003C-2 Bonds and the Series 2003D-2 Bonds, respectively (collectively, the "Series Resolutions"), and series certificates of the Authority fixing the terms and details of the Series 2003C-2 Bonds and the Series 2003D-2 Bonds, respectively (collectively, the "Series Certificates"; the Bond Resolution, the Series Resolutions and the Series Certificates are collectively referred to herein as the "Resolution"). The Authority is authorized to issue Mental Health Services Facilities Improvement Revenue Bonds, in addition to the Offered Bonds, upon the terms and conditions set forth in the Bond Resolution and such bonds, when issued, shall, with the Offered Bonds and all other bonds which are being concurrently issued or which may be hereafter issued under the Bond Resolution (collectively, the "Bonds"), be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

The Offered Bonds are dated July 15, 2003, except as otherwise provided in the Resolution. The Offered Bonds are being issued as variable interest rate obligations. The Offered Bonds are issuable only in fully registered form without interest coupons in Authorized Denominations as provided in the Resolution. The Offered

Bonds will mature on the dates in the respective principal amounts and will bear interest from their dated date, payable on the dates and at the respective rates of interest per annum, all as provided in the Resolution. The Offered Bonds are subject to redemption as provided in the Resolution.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolution and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms.

2. The Bond Resolution creates the valid pledge which it purports to create of the proceeds from the sale of the Bonds, the Revenues and all Funds and Accounts other than the Arbitrage Rebate Fund (as such terms are defined in the Bond Resolution) established by the Bond Resolution, including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Bond Resolution permitting the application thereof to the purposes and on the terms and conditions set forth in the Bond Resolution. The pledge of the Net Annual Payments component of the Revenues is junior and subordinate to the prior pledge made in respect of the Prior Authority Annual Payments, which prior pledge is junior and subordinate to the prior pledge made in respect of the Prior Agency Annual Payments (as such terms are defined in the Bond Resolution).

3. The Offered Bonds are valid and binding special obligations of the Authority payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and are entitled to the benefits of the Act and the Resolution. Pursuant to the Financing Agreement (State Project) by and between the Authority and the Department of Mental Hygiene (the "Department") dated as of February 26, 2003, as supplemented to the date hereof, including as supplemented by the Supplemental Financing Agreement No. 2-2 (State Project) dated as of February 26, 2003 and the Financing Agreement (Voluntary Agency Project), by and between the Authority and the Department dated as of February 26, 2003, as supplemented to the date hereof, including by the Supplemental Financing Agreement No. 2-2 (Voluntary Agency Project) dated as of February 26, 2003 (collectively, the "Agreement"), the Annual Payments (as defined in the Resolution) are to be made to the Authority, which Annual Payments are executory to the extent of the monies made available by the State Legislature and no monetary liability on account thereof is incurred with respect thereto beyond monies legally made available for such payments by the State Legislature, and which Annual Payments are to be made after making the Prior Authority Annual Payments, and which Prior Authority Annual Payments are to be made after making the Prior Agency Annual Payments. To secure the payment of the Annual Payments, the New York State Commissioner of Taxation and Finance (the "Commissioner") and the New York State Comptroller (the "Comptroller"), pursuant to the Pledge and Assignment dated as of February 26, 2003 by and among the Commissioner, the Comptroller and the Authority (the "Pledge and Assignment"), have pledged and assigned to the Authority, subject to legislative appropriation, all or any monies in the Mental Health Services Fund established pursuant to Section 97-f of the State Finance Law and any and all monies which may be received by the Commissioner and the Comptroller and credited to such Fund and any right, title and interest of the Commissioner and the Comptroller in and to the monies in or to be deposited in such Fund, subject to the provisions of subdivision 5 of said Section 97-f, which pledge is subject, junior and subordinate to the prior pledge made in respect of the Prior Authority Annual Payments, and which prior pledge is subject, junior and subordinate to the prior pledge made in respect of the Prior Agency Annual Payments.

4. The Offered Bonds do not constitute a legally enforceable obligation upon the part of the State nor create a debt on behalf of the State enforceable against the State.

5. Under existing statutes and court decisions, interest on the Offered Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, interest on the Offered Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations by the Code. In rendering the opinion in this paragraph 5, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the federal tax compliance documents delivered by the Authority, the Department and each Voluntary Agency (as

defined in the Financing Agreement (Voluntary Agency Project)) receiving a loan from the Authority made with proceeds of the Series 2003D-2 Bonds with respect to the use of proceeds of the Offered Bonds and the investment of certain funds, and other matters affecting the exclusion of interest on the Offered Bonds from gross income for federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Authority, the Department and each Voluntary Agency receiving a loan from the Authority made with proceeds of the Series 2003D-2 Bonds with procedures and covenants set forth in the federal tax compliance documents and with the tax covenants set forth in the documents authorizing or relating to the Offered Bonds as to such matters. Under the Code, failure to comply with such procedures and covenants may cause the interest on the Offered Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Offered Bonds, irrespective of the date on which such noncompliance occurs or is ascertained. Under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

6. “Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of an Offered Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of those Bonds of that maturity was sold (excluding sales to bonds houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). For any Offered Bonds having OID (a “Discount Bond”), OID that is properly allocable to the owners of the Discount Bonds is excluded from gross income for federal income tax purposes to the same extent as other interest on the Offered Bonds. In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods at least annually, using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Offered Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken on the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds, or under state and local tax law in reliance upon an opinion of counsel other than ourselves.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Offered Bonds and the Resolution may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2003C-2 Bond, Subseries 2003D-2A Bond, Subseries 2003D-2B Bond, Subseries 2003D-2C Bond, Subseries 2003D-2D Bond, Subseries 2003D-2E Bond, Subseries 2003D-2F Bond, Subseries 2003D-2G Bond, Subseries 2003D-2H Bond and Subseries 2003D-2I Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

**PROPOSED FORM OF OPINION OF BOND COUNSEL
TO BE DELIVERED UPON LIQUIDITY FACILITY SUBSTITUTIONS AND
REMARKETING OF THE REOFFERED BONDS**

Upon the substitution of the Liquidity Facilities applicable to the Subseries 2003D-2E Bonds and the Subseries 2003D-2H Bonds with the Letters of Credit, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP
ONE CHASE MANHATTAN PLAZA
NEW YORK, NEW YORK 10005

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

Deutsche Bank Trust Company Americas,
as Trustee
60 Wall Street
New York, New York 10005

Ladies and Gentlemen:

On July 15, 2003, we delivered our final approving opinion (the “2003 Approving Opinion”) as bond counsel to the Dormitory Authority of the State of New York (the “Authority”) with respect to the issuance by the Authority of \$99,700,000 aggregate principal amount of Mental Health Services Facilities Improvement Revenue Bonds, Subseries 2003D-2E (the “Subseries 2003D-2E Bonds”) and \$50,000,000 aggregate principal amount of Mental Health Services Facilities Improvement Revenue Bonds, Subseries 2003D-2H (the “Subseries 2003D-2H Bonds”) and together with the Subseries 2003D-2E Bonds, the “Reoffered Bonds”).

The Reoffered Bonds were issued under and pursuant to the Dormitory Authority Act, the New York State Medical Care Facilities Finance Agency Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the “Act”), the Second Mental Health Services Facilities Improvement Revenue Bond Resolution adopted by the Authority on February 26, 2003 (the “Bond Resolution”), as supplemented by a series resolution adopted by the Authority on February 26, 2003 authorizing the Reoffered Bonds (the “Series Resolution”), and a series certificate of the Authority fixing the terms and details of the Reoffered Bonds (the “Series Certificate”). The Bond Resolution, the Series Resolution and the Series Certificate are herein collectively referred to as the “Resolution.” Unless otherwise defined in this opinion, all capitalized terms used herein shall have the meanings ascribed thereto in the Resolution.

Initially, the Purchase Price of the Reoffered Bonds tendered or deemed tendered for purchase in accordance with the Resolution and not successfully remarketed was payable under and pursuant to (1) with respect to the Subseries 2003D-2E Bonds, a Standby Bond Purchase Agreement, dated as of July 15, 2003, between the Authority and BNP Paribas, acting through its New York Branch (the “Initial Subseries 2003D-2E Facility”), and (ii) with respect to the Subseries 2003D-2H Bonds, a Standby Bond Purchase Agreement, dated as of July 15, 2003, between the Authority and HSBC Bank USA (the “Initial Subseries 2003D-2H Facility”) and together with the Initial Subseries 2003D-2E Facility, the “Initial Liquidity Facilities”). Each of the Initial Liquidity Facilities is expiring on July 15, 2009 and pursuant to the Resolutions, the Authority has elected to substitute each of the Initial Liquidity Facilities with an irrevocable transferable letter of credit to be issued by Royal Bank of Canada for each subseries of the Reoffered Bonds (collectively, the “Alternate Facilities”) on July 13, 2009. The Reoffered Bonds are subject to mandatory tender and reoffering in connection with the expiration of the Initial Liquidity Facilities and the substitution thereof with the Alternate Facilities.

We are delivering this opinion in connection with the substitution of the Initial Liquidity Facilities with the Alternate Facilities on the date hereof (the "Substitution").

We are of the opinion that the Substitution is permitted under the Act and the Resolution.

We have not been asked to, and we do not, express any opinion as to whether, as of the date hereof, the interest on the Reoffered Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). We are of the opinion, however, that, under existing statutes and court decisions, the Substitution in and of itself, will not impair the exclusion of interest from gross income for Federal income tax purposes under Section 103 of the Code on any Reoffered Bonds, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and others.

Except as stated above, we express no opinion regarding any other Federal tax consequences with respect to the Reoffered Bonds. We wish to advise you that our opinion is limited to the Substitution on July 13, 2009 and does not extend to any other event or matter occurring subsequent to the delivery of our 2003 Approving Opinion on July 15, 2003.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Reoffered Bonds.

Very truly yours,

**CERTAIN INFORMATION
REGARDING THE BANK**

[THIS PAGE INTENTIONALLY LEFT BLANK]

CERTAIN INFORMATION REGARDING THE BANK

Royal Bank of Canada (referred to in this section as the “Bank”) is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. The Bank’s corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, Canada M5J 2J5, and its head office is located at 1 Place Ville Marie, Montreal, Quebec, Canada H3C 3A9. The Bank is the parent company of RBC Capital Markets Corporation, the Remarketing Agent.

The Bank and its subsidiaries operate under the master brand name RBC. The Bank is Canada’s largest bank as measured by assets and market capitalization, one of North America’s leading diversified financial services companies and among the largest banks in the world, as measured by market capitalization. It provides personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. The Bank and its subsidiaries employ more than 80,000 full- and part-time employees who serve more than 18 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 53 other countries.

The Bank had, on a consolidated basis, as at April 30, 2009, total assets of C\$680 billion (approximately US\$570 billion*), shareholders’ equity of C\$34 billion (approximately US\$29 billion*), and total deposits of C\$412 billion (approximately US\$345 billion*). The foregoing figures were prepared in accordance with Canadian generally accepted accounting principles and have been extracted and derived from, and are qualified by reference to, the Bank’s unaudited Interim Consolidated Financial Statements included in the Bank’s Report to Shareholders for the period ended April 30, 2009.

The long-term senior unsecured debt of the Bank has been assigned ratings of AA- (stable outlook) by Standard & Poor’s Ratings Services, Aaa (negative outlook) by Moody’s Investors Service and AA (stable outlook) by Fitch Ratings. The Bank’s common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol “RY.” Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, the Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Official Statement is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 14th Floor, South Tower, Toronto, Ontario, Canada, M5J 2J5, or by calling (416) 955-7802, or by visiting www.rbc.com/investorrelations/.

The delivery of this Remarketing Circular shall not create any implication that there has been no change in the affairs of the Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

*As at April 30, 2009: C\$1.00 =US\$0.838

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, Inc.