REOFFERING -- NOT A NEW ISSUE

$7,465,000
(Principal Amount Reoffered)
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYSARC, INC., INSURED REVENUE BONDS SERIES 2007B (FIXED RATE)

Dated: January 30, 2007 | **Reoffering Delivery Date: August 6, 2009** | **Interest Payment Dates: January 1 and July 1, next occurring on January 1, 2010** | **Due: July 1, as shown on the inside cover**

Original Issuance. The Dormitory Authority of the State of New York (the "Authority"), issued its NYSARC, Inc. Insured Revenue Bonds, Series 2007B (the "Series 2007B Bonds") on January 30, 2007 pursuant to the Authority's NYSARC, Inc. Insured Revenue Bond Resolution (the "Resolution") and Series Resolution Authorizing NYSARC, Inc. Insured Revenue Bonds, Series 2007B (the "Series 2007B Resolution"), each adopted on December 19, 2006, and a Bond Series Certificate dated as of January 29, 2007 (the "Series 2007B Bond Series Certificate" and, together with the Resolution and the Series 2007B Resolution, the "Series 2007B Authority Proceedings"), for the purpose of making a loan to NYSARC, Inc., a New York not-for-profit corporation ("NYSARC"), under a Loan Agreement dated as of December 19, 2006 (as amended to date, the "Loan Agreement"), between the Authority and NYSARC. The Series 2007B Bonds were issued initially and currently bear interest in a Weekly Rate Mode as defined and described in the Series 2007B Bond Series Certificate.

Plan of Conversion and Remarketing. NYSARC has determined to direct the Authority to deliver a Conversion Notice in accordance with the Series 2007B Bond Series Certificate pursuant to which the interest rate borne by the Series 2007B Bonds reoffered will be converted effective August 6, 2009 (the "Conversion Date"), subject to the satisfaction of certain conditions, from the Weekly Rate Mode to the Fixed Rate Mode. Following delivery of the Conversion Notice, the Series 2007B Bonds will be subject to mandatory tender for purchase on the Conversion Date, regardless of whether all of the conditions to the conversion are satisfied. If, however, any condition to the conversion is not timely satisfied, the Series 2007B Bonds will remain and be remarketed in the Weekly Rate Mode. *See* "PART 4 – PLAN OF CONVERSION AND REMARKETING." This Reoffering Statement describes the Series 2007B Bonds only in the Fixed Rate Mode. The Series 2007B Bonds are currently outstanding in the aggregate principal amount of $7,855,000, and the Series 2007B Bonds that are not being reoffered, in the aggregate principal amount of $390,000, will be retired on the Conversion Date.

Payment and Security: The Series 2007B Bonds are special obligations of the Authority secured by a pledge of (i) certain payments to be made under the Loan Agreement, and (ii) certain funds and accounts authorized under the Series 2007B Resolution. The Loan Agreement is a general obligation of NYSARC and requires NYSARC to pay amounts sufficient to pay the principal, Sinking Fund Installments and Redemption Price of and interest on all of the Series 2007 Bonds, as those payments become due, together with the Purchase Price of any tendered Series 2007B Bonds so long as they are in a Weekly Rate Mode. The obligations of NYSARC under the Loan Agreement to make such payments are secured by a pledge of certain revenues of NYSARC.

The scheduled payment of the principal of and interest on the Series 2007B Bonds when due is guaranteed under a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") issued concurrently with the Series 2007B Bonds by Ambac Assurance Corporation ("Ambac Assurance").

Ambac

The Series 2007B Bonds are not a debt of the State of New York nor is the State of New York liable thereon. The Authority has no taxing power.

Description: On and after the Conversion Date, the Series 2007B Bonds will bear interest in the Fixed Rate Mode at the Fixed Rates and will mature on the dates, in the principal amounts, shown on the inside front cover hereof.

The Series 2007B Bonds are reoffered as fully registered bonds in the denomination of $5,000 or any integral multiple thereof under a Book-Entry Only System and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). *See* "PART 3 - THE SERIES 2007B BONDS - Book-Entry Only System" herein. The Bank of New York Mellon, New York, New York is the Trustee for the Series 2007B Bonds.

Redemption: The Series 2007B Bonds are subject to redemption prior to maturity as more fully described herein.

Tax Exemption: The status of interest on the Series 2007B Bonds under federal, local and New York State income tax laws is discussed under "PART 10 - TAX MATTERS" herein.

The conversion of the Rate Period on the Series 2007B Bonds to a Fixed Rate Mode, and the reoffering of the Series 2007B Bonds being reoffered in a Fixed Rate Mode, is subject to the approval of certain matters by Hiscock & Barclay, LLP, Albany, New York, Bond Counsel. Certain legal matters will be passed upon for NYSARC by Bryan Cave LLP, New York, New York, and for the Remarketing Agent by Squire, Sanders & Dempsey L.L.P., Cleveland, Ohio. NYSARC has also been advised of certain matters by its financial advisor, Municipal Capital Markets Group, Inc., Dallas, Texas.

KeyBanc Capital Markets Inc.

July 10, 2009

$7,465,000 (Principal Amount Reoffered)
NYSARC, Inc. Insured Revenue Bonds, Series 2007B

$4,320,000 Serial Bonds

Due July l	Amount	Interest Rate	Price or Yield	CUSIP Number[(1)]	Due July 1	Amount	Interest Rate	Price or Yield	CUSIP Number[(1)]
2010	$130,000	4.500%	1.930%	649905JA5	2020	$205,000*	5.250%	5.070%	649905JL1
2011	130,000	4.500	2.540	649905JB3	2021	220,000*	5.500	5.220	649905JM9
2012	145,000	4.500	2.870	649905JC1	2022	230,000*	5.500	5.350	649905JN7
2013	145,000	4.750	3.350	649905JD9	2023	245,000*	5.750	5.450	649905JP2
2014	160,000	4.750	3.770	649905JE7	2024	260,000*	6.000	5.540	649905JQ0
2015	165,000	4.750	4.030	649905JF4	2025	275,000*	6.000	5.620	649905JR8
2016	175,000	4.750	4.290	649905JG2	2026	290,000*	6.000	5.700	649905JS6
2017	175,000	5.000	4.550	649905JH0	2027	310,000*	6.000	5.770	649905JT4
2018	185,000	5.000	4.730	649905JJ6	2028	330,000*	6.000	5.830	649905JU1
2019	195,000	5.250	4.900	649905JK3	2029	350,000*	6.000	5.880	649905JV9

$1,185,000* 6.000% Term Bond due July 1, 2032, Price 100.363% Yield 5.950%, CUSIP No. 649905JW7

$1,960,000 6.000% Term Bond due July 1, 2036, Price 99.993% to Yield 6.000%, CUSIP No. 649905JX5

*Priced to the July 1, 2019 par call

[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 Series 2007B Bonds. Neither the Authority nor the Remarketing Agent is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2007B Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2007B Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of the Series 2007B Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2007B Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, NYSARC or the Remarketing Agent to give any information or to make any representations with respect to the Series 2007B Bonds, other than the information and representations contained in this Reoffering Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, NYSARC or the Remarketing Agent.

This Reoffering Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2007B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Reoffering Statement has been supplied by NYSARC, Ambac Assurance 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.

NYSARC has reviewed the parts of this Reoffering Statement describing NYSARC, the Plan of Conversion and Remarketing, the Participating Chapters and Project Information,, the Estimated Sources and Uses of Funds, and Appendices B, B-1 and B-2. It is a condition to the remarketing of the Series 2007B Bonds that NYSARC certify that, as of the Conversion Date, such parts do not contain any untrue statements of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements were made, not misleading. NYSARC makes no representations as to the accuracy or completeness of any other information included in this Reoffering Statement.

In connection with the original issuance of the Series 2007B Bonds, Ambac Assurance provided and reviewed the information concerning Ambac Assurance contained under the caption "Source of Payment and Security for the Series 2007B Bonds - The Financial Guaranty Insurance Policy" and "Appendix F - Specimen Financial Guaranty Insurance Policy" herein. However, none of the information in this Reoffering Statement has been updated or verified by Ambac Assurance, and Ambac Assurance makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007B Bonds; or (iii) the tax status of the interest on the Series 2007B Bonds.

The Remarketing Agent has reviewed the information in this Reoffering Statement pursuant to its responsibilities to investors under the federal securities law, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

References in this Reoffering Statement to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy do not purport to be complete. Refer to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy for full and complete details of their provisions. Copies of the Resolution, the Series 2007B Resolution and the Loan Agreement are on file with the Authority and the Trustee.

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

Under no circumstances shall the delivery of this Reoffering Statement or any sale made after its delivery create any implication that the affairs of the Authority, NYSARC or Ambac Assurance have remained unchanged after the date of this Reoffering Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2007B BONDS, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007B BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK - 515 BROADWAY, ALBANY, N.Y. 12207
PAUL T. WILLIAMS, JR. - EXECUTIVE DIRECTOR; ALFONSO L. CARNEY, JR., ESQ. - CHAIR

REOFFERING STATEMENT
RELATING TO THE REOFFERING OF
$7,465,000 (Principal Amount Reoffered)
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYSARC, INC. INSURED REVENUE BONDS, SERIES 2007B

PART 1 - INTRODUCTION

Introductory Statement

The descriptions and summaries in this Reoffering Statement of various documents do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein regarding any such documents are qualified in their entirety by reference to such documents. This part of the Reoffering Statement is intended only to provide a brief description of certain provisions of the Reoffering Statement and is expressly qualified by reference to the Reoffering Statement as a whole, as well as the documents described or summarized herein. All references to this Reoffering Statement include the cover page, the inside front cover page and appendices, and each capitalized word or term used in this Reoffering Statement as a defined term but not otherwise defined herein has the meaning set forth in "Appendix A – Certain Definitions." For more detailed descriptions of the matters summarized below, see the information set forth in the specific sections of the Reoffering Statement noted below.

Purpose of this Reoffering Statement

The purpose of this Reoffering Statement is to provide information in connection with the reoffering of $7,465,000 outstanding aggregate principal amount of NYSARC, Inc. Insured Revenue Bonds, Series 2007B (the "Series 2007B Bonds") issued by the Dormitory Authority of the State of New York (the "Authority"), for the benefit of NYSARC, Inc., a New York not-for-profit corporation ("NYSARC"), upon their conversion from a Weekly Rate Mode to a Fixed Rate Mode, effective August 6, 2009 (the "Conversion Date").

Following is a brief description of certain information concerning the Series 2007B Bonds, the Authority, NYSARC and Ambac Assurance Corporation ("Ambac Assurance"). **Insofar as this Reoffering Statement relates to the Series 2007B Bonds, it supersedes the**

Authority's Official Statement, dated January 12, 2007 (the "Official Statement"), pursuant to which the Series 2007B Bonds were originally offered, sold and delivered. Upon conversion to the Fixed Rate Mode, the reoffered Series 2007B Bonds will remain in that Rate Mode until they are retired; accordingly, this Reoffering Statement does not describe the Series 2007B Bonds in any other Rate Mode.

This Reoffering Statement does not describe the Series 2007B Bonds in the Weekly Rate Mode and is not authorized to be used in remarketing the Series 2007B Bonds in that Rate Mode.

Purpose of the Series 2007B Bonds; Other Series 2007 Bonds

The Series 2007B Bonds were issued by the Authority on January 30, 2007 (i) to finance or refinance costs of acquiring and constructing a building to replace the former headquarters building of NYSARC's Westchester Chapter (the "Westchester Project"), (ii) to pay certain costs of issuance of the Series 2007B Bonds, and (iii) to fund the Debt Service Reserve Fund established for the Series 2007B Bonds in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2007B Bonds.

Authorization of Original Issue; Conversion and Remarketing

The Series 2007B Bonds were issued pursuant to the Act, the Authority's NYSARC, Inc. Insured Revenue Bond Resolution (the "Resolution") and Series Resolution Authorizing NYSARC, Inc. Insured Revenue Bonds, Series 2007B (the "Series 2007B Resolution"), each adopted on December 19, 2006, and a Bond Series Certificate dated as of January 29, 2007 (the "Original Series 2007B Bond Series Certificate"). The Series 2007B Bonds are currently outstanding in the aggregate principal amount of $7,855,000; the portion of the Series 2007B Bonds not being reoffered, in the aggregate principal amount of $390,000, will be retired on the Conversion Date.

The Resolution authorizes the issuance of multiple Series of Bonds pursuant to separate Series Resolutions for the benefit of NYSARC. In addition to the Series 2007B Bonds, the Authority issued (i) $11,045,000 aggregate principal amount of NYSARC, Inc. Insured Revenue Bonds, Series 2007A (the "Series 2007A Bonds"), outstanding at present in the aggregate principal amount of $8,115,000, which were issued pursuant to the Series Resolution Authorizing NYSARC, Inc. Insured Revenue Bonds, Series 2007A (the "Series 2007A Resolution"), and (ii) $135,000 aggregate principal amount of NYSARC, Inc. Insured Revenue Bonds, Series 2007C (Taxable) (the "Series 2007C Bonds" and, collectively with the Series 2007A Bonds and the Series 2007B Bonds, the "Series 2007 Bonds"), of which, as of July 1, 2009, none remains outstanding, which were issued pursuant to the Series Resolution Authorizing NYSARC, Inc. Insured Revenue Bonds, Series 2007C (Taxable) (the "Series 2007C Resolution" and, together with the Series 2007A Resolution and the Series 2007B Resolution, the "Series 2007 Resolutions"). Additional Series of Bonds for the benefit of NYSARC are permitted to be issued pursuant to the Resolution if certain conditions are satisfied. *See* "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS" and "PART 3 - THE SERIES 2007B BONDS."

The Series 2007B Bonds are being reoffered in the Fixed Rate Mode pursuant to the Resolution, the Series 2007B Resolution and the Series 2007B Bond Series Certificate (the "Series 2007B Bond Certificate").

Plan of Conversion and Remarketing

NYSARC has determined to direct the Authority to deliver a Conversion Notice in accordance with the Series 2007B Bond Series Certificate pursuant to which the interest rate borne by the Series 2007B Bonds being reoffered is proposed to be converted on the Conversion Date (August 6, 2009), subject to the satisfaction of certain conditions, from the Weekly Rate Mode to the Fixed Rate Mode. Following delivery of the Conversion Notice, the Series 2007B Bonds will be subject to mandatory tender for purchase on the Conversion Date, regardless of whether all of the conditions to the conversion are satisfied. If, however, any condition to the conversion is not timely satisfied, the Series 2007B Bonds will remain in, and be remarketed in, the Weekly Rate Mode. *See* "PART 4 - PLAN OF CONVERSION AND REMARKETING." **This Reoffering Statement does not describe the Series 2007B Bonds in the Weekly Rate Mode and is not authorized to be used in remarketing the Series 2007B Bonds in that Rate Mode.**

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 corporations. *See* "PART 7 - THE AUTHORITY."

NYSARC

NYSARC is a not-for-profit corporation organized under the laws of the State providing a variety of services for persons with intellectual or developmental disabilities. The headquarters of NYSARC is in Delmar, New York. *See* "PART 5 - NYSARC," "Appendix B − NYSARC, Inc. Combined Financial Statements as of December 31, 2007 Together with Accountants' Compilation Report (Unaudited)," "Appendix B-1 − Certain NYSARC, Inc. Combined Financial Statements as of and for the year ended December 31, 2008 (Preliminary and Unaudited)" and "Appendix B-2 − Certain NYSARC, Inc. Combined Financial Statements as of and for the three-month periods ended March 31, 2008 and March 31, 2009 (Preliminary and Unaudited)."

The Series 2007B Bonds

The Series 2007B Bonds will be remarketed on the Conversion Date in the Fixed Rate Mode and will bear interest on and after the Conversion Date at the Fixed Rates determined by the Remarketing Agent in accordance with the Resolution, the Series 2007B Resolution and the Series 2007B Bond Series Certificate, and will mature, subject to prior redemption, at the times and in the principal amounts set forth on the inside front cover page of this Reoffering Statement. Interest on the Series 2007B Bonds will be payable on and after the Conversion Date on January 1, 2010 and on each July 1 and January 1 thereafter. *See* "PART 3 - THE SERIES 2007B BONDS - Description of the Series 2007B Bonds."

KeyBanc Capital Markets Inc. is the Remarketing Agent for the Series 2007B Bonds and will underwrite the reoffering of the Series 2007B Bonds in the Fixed Rate Mode. The Bank of New York Mellon is the Trustee for the Series 2007B Bonds.

Payment of the Series 2007B Bonds

The Series 2007B Bonds are special obligations of the Authority payable solely from the Revenues, which consist of certain payments NYSARC is obligated to make under the Loan Agreement. The Revenues include Public Funds that would otherwise be payable to the Participating Chapters, but that will be paid by NYSARC directly to the Authority and by the Authority to the Trustee, on account of NYSARC's obligations under the Loan Agreement. The Loan Agreement is a general obligation of NYSARC. Pursuant to the Resolution and the Series 2007 Resolutions, the Revenues and the Authority's right to receive the Revenues have been pledged and assigned by the Authority to the Trustee. *See* "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS."

Security for the Series 2007B Bonds

The Series 2007B Bonds are secured by the Authority's pledge and assignment to the Trustee of the Revenues under the Resolution and Series 2007 Resolutions, and NYSARC's grant to the Authority under the Loan Agreement, subject to Prior Pledges, of a security interest in the Pledged Revenues. The Series 2007B Bonds are also secured by certain funds and accounts authorized by the Resolution and established by the Series 2007B Resolution, including the Debt Service Reserve Fund established for the Series 2007B Bonds. The Arbitrage Rebate Fund established for the Series 2007B Bonds is not pledged to secure the Series 2007B Bonds.

Each Series of the Series 2007 Bonds is secured on a parity by the Loan Agreement and the security interest in Pledged Revenues granted by NYSARC to the Authority thereunder. The holders of bonds issued by the Authority for the benefit of NYSARC, other than the Series 2007 Bonds, are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2007 Bonds; provided that, under certain circumstances, the Loan Agreement authorizes the incurrence of indebtedness by NYSARC secured on a parity with the Series 2007 Bonds as to the security interest in Pledged Revenues granted thereunder by NYSARC to the Authority. *See* "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - Security for the Series 2007B Bonds" and "Appendix C - Summary of Certain Provisions of the Loan Agreement - Security Interest in Pledged Revenues."

The Series 2007B Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power.

Bond Insurance

Ambac Assurance issued a financial guaranty insurance policy on January 30, 2007 (the "Financial Guaranty Insurance Policy") guaranteeing the payment of the principal and Sinking Fund Installments of and the interest on the Series 2007 Bonds when due. *See* "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS - The Financial Guaranty Insurance Policy" and "Appendix F - Financial Guaranty Insurance Policy."

The Mortgage

NYSARC's obligations to the Authority under the Loan Agreement in connection with the Series 2007 Bonds are also secured by a mortgage on the Mortgaged Property (the "Mortgage") and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. The Authority may, but has no present intention to, assign the Mortgage and those security interests to the Trustee. At present, the Trustee does not have any interest in the Mortgage, and the Mortgage does not provide any security for the Series 2007B Bonds. If a withdrawal is made from the Debt Service Reserve Fund established for the Series 2007B Bonds and is not reimbursed within 30 days from the date of the withdrawal, the Authority, upon request of Ambac Assurance, is obligated to assign the Mortgage and those security interests to the Trustee. Unless the Mortgage and those security interests are assigned to the Trustee, none of the Mortgage, the security interests in fixtures, furnishings and equipment, or any proceeds therefrom will be pledged to the Holders of the Series 2007B Bonds.

Concurrent Offering

Concurrent with the reoffering of the Series 2007B Bonds, the Authority is offering, at the request of NYSARC, a new series of bonds designated as the Authority's NYSARC, Inc. Revenue Bonds, Series 2009A, in an aggregate principal amount of $46,150,000 (the "Series 2009A Bonds"). The Series 2009A Bonds are being issued pursuant to the Authority's NYSARC, Inc. Revenue Bond Resolution adopted on March 25, 2009 (the "Resolution") and Series 2009A Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2009A, each adopted on March 25, 2009 (the "Series 2009A Resolution"), for the purpose of financing or refinancing real estate acquisitions, renovations and equipment purchases made by NYSARC for various chapters. Payment of the 2009A Bonds is secured by a Loan Agreement dated as of March 25, 2009 (the "2009A Loan Agreement"), between the Authority and NYSARC, including a pledge and assignment by the Authority of revenues derived thereunder, and NYSARC's grant to the Authority under the 2009A Loan Agreement of a security interest in certain revenues allocable to the participating chapters, including the Westchester Chapter; provided that the security interest granted under the Loan Agreement with respect to the Series 2007B Bonds constitutes a Prior Pledge to the pledge granted under the 2009A Loan Agreement for the benefit of the Series 2009A Bonds.

The offering of the Series 2009A Bonds is described in greater detail in the Authority's Official Statement dated July 10, 2009 (the "2009A Official Statement"). A copy of the 2009A Official Statement is available upon request to Jeffrey S. Freese, Managing Director, Public Finance, KeyBanc Capital Markets Inc., 127 Public Square, OH-01-02-0427, Cleveland, Ohio 44114, by telephone at 1-216-689-0814 or by email at jfreese@keybanccm.com.

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2007B BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2007B Bonds 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 Resolution, the Series 2007B Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy, copies of which are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix F - Specimen Financial Guaranty Insurance Policy," for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund and the Debt Service Reserve Fund refer to such fund established pursuant to the Series 2007B Resolution.

Payment of the Series 2007B Bonds

The Series 2007B Bonds are special obligations of the Authority. The principal, Sinking Fund Installments and interest on (collectively, "Debt Service Charges") the Series 2007B Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by NYSARC under the Loan Agreement to provide for payment of the Debt Service Charges on the Series 2007 Bonds and to maintain the respective Debt Service Reserve Funds established under the Series 2007A Resolution and the Series 2007B Resolution in the amount of the applicable Debt Service Reserve Fund Requirement. The Revenues and the right to receive them have been pledged and assigned by the Authority to the Trustee for the benefit of the Series 2007 Bondholders.

The Loan Agreement is a general obligation of NYSARC and obligates NYSARC to make payments monthly on the 10th day of each month sufficient to provide for the timely payment of Debt Service Charges on Outstanding Series 2007 Bonds. Each monthly payment in respect of the interest component of the Debt Service Charges on the Series 2007 Bonds is to be equal to a proportionate share of the interest component of the Debt Service Charges payable on the next succeeding interest payment date. Each monthly payment in respect of any principal component of the Debt Service Charges payable on the next succeeding July 1 on the Series 2007 Bonds is to be equal to a proportionate share of such principal component. All payments to the Trustee in respect of Debt Service Charges are thus due by NYSARC in full at least 20 days prior to the date that Debt Service Charges are payable on the Series 2007 Bonds. The Loan Agreement also obligates NYSARC to pay, at least 45 days prior to the redemption date for Series 2007B Bonds called for redemption, the amount required to pay the Redemption Price of such Bonds. *See* "PART 3 - THE SERIES 2007B BONDS - Redemption Provisions."

The Act authorizes NYSARC to pledge and assign all Public Funds to the Authority. NYSARC has assigned the Public Funds to the Authority to satisfy NYSARC's obligations under the Loan Agreement to provide for payment of Debt Service Charges on the Series 2007 Bonds. The Authority has waived its right to collect those amounts payable to the Authority, including the OMRDD Revenues, unless and until an event described in clause (a) or (b) of the next paragraph occurs.

Any Public Funds and other Pledged Revenues collected by NYSARC that are not required to be paid to the Trustee to provide for payment of Debt Service Charges on the Series 2007 Bonds or to make up any deficiencies in funds or accounts established pursuant to the Resolution or the Series 2007 Resolutions are free and clear of the security interest granted under the Loan Agreement, and NYSARC may dispose of that money for any of its corporate purposes unless and until (a) an Event of Default, or any event that with the passage of time or the giving of notice, or both, would be an Event of Default, has occurred and is continuing or (b) there has occurred a drawing of funds from a Debt Service Reserve Fund that has not been repaid by NYSARC as required by the Loan Agreement and the Resolution. Pursuant to the Act and the Loan Agreement, NYSARC has assigned and pledged to the Authority, the Public Funds in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement. Pursuant to the Act, all state and local officers responsible for any Public Funds are authorized and required to pay the Public Funds so assigned and pledged to the Authority in accordance with the Loan Agreement. Upon the occurrence and during the continuation of an event described in clause (a) or (b) above and unless the Authority and Ambac Assurance have agreed otherwise, the Authority will, in addition to all other remedies available pursuant to the Loan Agreement, cause the Public Funds described to be deducted, withheld or paid directly to the Authority or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement.

Security for the Series 2007B Bonds

The Series 2007B Bonds are secured equally and ratably by the Authority's pledge and assignment to the Trustee of the Revenues, and NYSARC's grant to the Authority under the Loan Agreement, subject to Prior Pledges, of a security interest in the Pledged Revenues, and the pledge and assignment of that security interest by the Authority to the Trustee under the Resolution and the Series 2007 Resolutions. The Series 2007B Bonds are also secured by all funds and accounts authorized by the Resolution and established by the Series 2007B Resolution, including the Debt Service Reserve Fund established for the Series 2007B Bonds, but excluding the Arbitrage Rebate Fund established for the Series 2007B Bonds. Pursuant to the terms of the Resolution and the Series 2007 Resolutions, the Series 2007B Bonds are secured on a parity by the Loan Agreement and the security interest in Pledged Revenues granted by NYSARC to the Authority thereunder. The holders of bonds issued by the Authority for the benefit of NYSARC, other than the Series 2007 Bonds, are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2007 Bonds.

Pledged Revenues

The Series 2007 Bonds are secured, subject to Prior Pledges, by the security interest in the Pledged Revenues granted by NYSARC to the Authority under the Loan Agreement. This security interest has been pledged and assigned by the Authority to the Trustee under the Resolution and the Series 2007 Resolutions. The Pledged Revenues consist of all Public Funds, all money apportioned or otherwise payable to NYSARC, for the sole benefit of the State Office or on behalf of any Participating Chapter, by the federal government, and all receipts, revenues, income, gifts, grants, assistance, bequests and other money received by NYSARC, for the sole benefit of the State Office or on behalf of any Participating Chapter, including all rights to receive the same, whether in the form of accounts receivable, lease payments, contract rights or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence; excluding, however, gifts, grants and bequests received by NYSARC, for the sole benefit of the State Office or on behalf of any Participating Chapters that are subject to restrictions upon use that are inconsistent with the use thereof for the purposes contemplated by the Resolution and the Series 2007 Resolutions, and the income thereon to the extent that income is so restricted as to use. *See* "Appendix B − NYSARC, Inc. Combined Financial Statements as of December 31, 2007 Together with Accountants' Compilation Report (Unaudited)," "Appendix B-1 − Certain NYSARC, Inc. Combined Financial Statements as of and for the year ended December 31, 2008 (Preliminary and Unaudited)" and "Appendix B-2 − Certain NYSARC, Inc. Combined Financial Statements as of and for the three-month periods ended March 31, 2008 and March 31, 2009 (Preliminary and Unaudited)."

Under certain circumstances described therein, the Loan Agreement authorizes the incurring of long-term indebtedness by NYSARC secured on a parity with the Series 2007 Bonds with respect to the security interest in Pledged Revenues. *See* "Appendix C - Summary of Certain Provisions of the Loan Agreement - Security Interest in Pledged Revenues."

Debt Service Reserve Fund

The Resolution and the Series 2007B Resolution authorize and establish a Debt Service Reserve Fund with respect to the Series 2007B Bonds. The Debt Service Reserve Fund established for the Series 2007B Bonds was funded at the time the Series 2007B Bonds were issued and is held by the Trustee, for application solely to the purposes specified in the Resolution and the Series 2007B Resolution, and is pledged to secure the payment of Debt Service Charges on the Series 2007B Bonds. The Debt Service Reserve Fund for the Series 2007B Bonds is to be maintained at an amount equal to the least of (i) the greatest amount required in the then current or any future calendar year to pay Debt Service Charges on Outstanding Series 2007B Bonds payable during such calendar year, (ii) 10% of the net proceeds of the sale of the Series 2007B Bonds and (iii) 125% of the average of the Debt Service Charges payable in any one calendar year on the Series 2007B Bonds. *See* "Appendix D - Summary of Certain Provisions of the Resolution."

The amount of the Debt Service Reserve Fund Requirement will be redetermined when the reoffered Series 2007B Bonds are sold. The revised amount of the Debt Service Reserve Fund Requirement will be effective on the Conversion Date and is expected to be less than the amount of the current Debt Service Reserve Fund Requirement. The excess funding will be applied on the Conversion Date, together with other available money provided by NYSARC, to redeem on the Conversion Date the Series 2007B Bonds that are not being reoffered.

Money in the Debt Service Reserve Fund established for the Series 2007B Bonds is to be withdrawn and deposited whenever the amount on deposit in the Debt Service Fund on the fourth Business Day prior to an interest payment date is less than the amount needed to pay the Debt Service Charges on Outstanding Series 2007B Bonds payable on such interest payment date. The Resolution and the Loan Agreement require NYSARC to restore the Debt Service Reserve Fund for the Series 2007B Bonds to the amount of the Debt Service Reserve Fund Requirement for the Series 2007B Bonds by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Money in the Debt Service Reserve Fund for the

Series 2007B Bonds in excess of the Debt Service Reserve Fund Requirement will be permitted to be withdrawn and applied in accordance with the Resolution and the Series 2007B Resolution. *See* "Appendix D - Summary of Certain Provisions of the Resolution."

Rate Covenant

NYSARC agrees to conduct its operations in such manner as to produce a Debt Service Coverage Ratio equal to or greater than 1:1 for each Fiscal Year. NYSARC is required to prepare and deliver annually to the Trustee, the Authority and Ambac, following the conclusion of each Fiscal Year, a certificate as to its Debt Service Coverage Ratio within 150 days of the end of its Fiscal Year.

Additional Long Term Parity Debt

NYSARC may incur additional Long Term Debt secured on a parity with the Series 2007B Bonds with respect to the Pledged Revenues (excluding OMRDD Revenues), without obtaining the prior consent of the Authority; provided that, the Debt Service Coverage Ratio for each of the two most recently completed Fiscal Years preceding the proposed incurrence of the additional Long-Term Debt, taking into account all of NYSARC's existing Long Term Debt and the proposed additional Long Term Debt, would be not less than 1.1:1. The calculation of the Debt Service Coverage Ratio is required to be set forth in a written certificate of either an independent certified public accountant or an officer of NYSARC.

The Financial Guaranty Insurance Policy

The information that follows was provided by Ambac Assurance for use in connection with the reoffering of the Series 2007B Bonds. Reference is made to Appendix F for a copy of the Financial Guaranty Insurance Policy originally issued with respect to the Series 2007 Bonds.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance") issued its financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2007 Bonds, effective as of the date of issuance of the Series 2007 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York Mellon, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Series 2007 Bonds that becomes Due for Payment but is unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance receives notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2007 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2007 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2007

Bonds, Ambac Assurance will remain obligated to pay the principal of and interest on outstanding Series 2007 Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2007 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy will be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2007 Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; and

3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Series 2007 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2007 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2007 Bond, appurtenant coupon, if any, or right to payment of the principal of or interest on such Series 2007 Bond and will be fully subrogated to the surrendering holder's rights to payment.

The insurance provided by the Financial Guaranty Insurance Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $9,392,000,000 (unaudited) and statutory capital of approximately $2,319,000,000 (unaudited) as of March 31, 2009. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Ambac Assurance has been assigned the following financial strength ratings by the following rating agencies: Ba3, developing outlook, by Moody's Investors Service, Inc., and BBB, CreditWatch negative, by Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in the Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

Ambac Assurance makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Reoffering Statement other than the information supplied by Ambac Assurance and presented under the heading "The Financial Guaranty Insurance Policy."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at Ambac Assurance's internet website at www.ambac.com and at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance are available without charge from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Reoffering Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and filed on March 16, 2009;

2. The Company's Current Report on Form 8-K dated and filed on May 11, 2009;

3. The Company's Quarterly Report on Form 10-Q dated and filed on May 18, 2009; and

4. The Company's Current Report on Form 8-K dated and filed on June 19, 2009.

Ambac Assurance's consolidated financial statements and all other information relating to Ambac Assurance and subsidiaries included in the Company's periodic reports filed with the SEC subsequent to the date of this Reoffering Statement and prior to the Conversion Date shall, to the extent filed (rather than furnished pursuant to Item 9 of Form 8-K), be deemed to be incorporated by reference into this Reoffering Statement and to be a part hereof from the respective dates of filing of such reports.

Any statement contained in a document incorporated in this Reoffering Statement by reference shall be modified or superseded for the purposes of this Reoffering Statement to the extent that a statement contained in a subsequently filed document incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Reoffering Statement.

Copies of all information regarding Ambac Assurance that is incorporated by reference in this Reoffering Statement are available for inspection in the same manner as described above in "Available Information."

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Reoffering Statement will be available for inspection in the same manner as described above in "Available Information."

Certain Financial Covenants of NYSARC

The Loan Agreement contains certain financial covenants regarding the coverage of Debt Service Charges on NYSARC's outstanding indebtedness as summarized below.

Rate Covenant

NYSARC agrees to maintain in each fiscal year unrestricted revenue sufficient to produce in each fiscal year a Debt Service Coverage Ratio equal to or greater than 1:1 with respect to all outstanding Long Term Debt of NYSARC. NYSARC is required to prepare and deliver to the Trustee, Ambac Assurance and the Authority a certificate as to its Debt Service Coverage Ratio each year within 150 days after the end of its fiscal year.

Additional Long-Term Parity Debt

NYSARC may incur additional Long-Term Debt secured on a parity with the Series 2007B Bonds with respect to the Pledged Revenues (excluding OMRDD Revenues), without obtaining the prior consent of the Authority, upon demonstration that the Debt Service Coverage Ratio with respect to all existing Long-Term Debt of NYSARC and the proposed additional Long-Term Debt would be not less than 1.1:1 for each of the two most recently completed Fiscal Years preceding the proposed incurrence of the additional Long-Term Debt. All calculations are required to be determined in a written certificate of an independent certified public accountant or by an officer of NYSARC.

Events of Default and Acceleration

The Resolution provides that events of default thereunder with respect to a Series of Bonds and under a Series 2007 Resolution constitute events of default only with respect to the affected Series of Series 2007 Bonds. The following are events of default with respect to a Series of Bonds under the Resolution and the applicable Series 2007 Resolution: (i) a default in the payment of principal, Sinking Fund Installments or Redemption Price of or interest payable on the related Series of Series 2007 Bonds when they become due and payable; (ii) the Authority shall take any action, or fail to take any action, in violation of certain covenants contained in the Resolution, and as a result thereof interest on such Series of Series 2007 Bonds is no longer excludable from gross income for federal income tax purposes; (iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Resolution, the related Series of Series 2007 Bonds or the related Series 2007 Resolution that continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in aggregate principal amount of Outstanding Series 2007 Bonds); or (iv) an "Event of Default," as defined in the Loan Agreement, has occurred and is continuing and all amounts payable by NYSARC under the Loan Agreement have been declared immediately due and payable (unless such declaration has been annulled). Unless all amounts payable by NYSARC under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than an event of default described in clause (ii) of the preceding paragraph) occurs and is continuing, the Trustee shall, upon the written request of the Holders of not less than 25% in aggregate principal amount of the Outstanding Series 2007 Bonds of a Series, by written notice to the Authority, declare the principal of and interest on all of the Outstanding Series 2007 Bonds of that Series to be due and payable immediately.

The Resolution provides that when the holders of any percentage in principal amount of Outstanding Series 2007 Bonds may exercise any right or power, consent to an amendment, modification or waiver, or request or direct the Trustee to take any action, Ambac Assurance will be deemed to be the Holder of such Series 2007 Bond (except that if an event of default described in clause (ii) of the first paragraph under this subheading has occurred, Ambac Assurance will not be deemed the Holder thereof for the purpose of giving any consent or direction or making any request pursuant to the Resolution). If, however, the request of the Holders of a Series of Outstanding Series 2007 Bonds to declare the principal and interest on the Outstanding Series of Bonds to be immediately due and payable would not have been a sufficient percentage in principal amount, but for the request of one or more insurers that are deemed to be the Holders of those Series 2007 Bonds insured by them, the Trustee will not give notice that the principal of and interest on such Outstanding Series 2007 Bonds is declared to be due and payable unless each such insurer has deposited with the Trustee an amount sufficient to pay the principal of and interest on those Outstanding Series 2007 Bonds due upon such declaration. At the expiration of 30 days from the giving of such notice, such principal and interest will become immediately due and payable. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of the affected Series of Series 2007 Bonds then Outstanding, with the consent of Ambac Assurance, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Holders of not less than 25% in principal amount of the Outstanding Series 2007 Bonds with the consent of Ambac Assurance or, in the case of a default described in subclause (ii) in the first paragraph under this subheading, the Holders of not less than a majority in principal amount of the Outstanding Series 2007 Bonds with the consent of Ambac Assurance, have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee is to give notice of each event of default known to the Trustee (i) to Ambac Assurance within five days, and (ii) to holders of the Series 2007 Bonds within 30 days after obtaining knowledge of the occurrence of the event of default unless the default has been remedied or cured before the notice is given; provided, however, that except in the case of default in the payment of Debt Service Charges on any of the Series 2007 Bonds, the Trustee will be protected in withholding notice thereof to the Holders if and as long as the Trustee determines, in good faith, that the withholding of the notice is in the best interests of the Holders of the Series 2007 Bonds.

General

The Series 2007B Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of Debt Service Charges on its bonds or notes. *See* "PART 7 - THE AUTHORITY."

PART 3 - THE SERIES 2007B BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2007B Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2007B Resolution, the Series 2007B Bond Certificate and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution," for a more complete description of certain provisions of the Series 2007B Bonds.

General

The Series 2007B Bonds were issued and are being reoffered pursuant to the Resolution. The Series 2007B Bonds were registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2007B Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2007B Bonds, payments of Debt Service Charges on the Series 2007B 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 Beneficial Owners of the Series 2007B Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book Entry Only System is discontinued for the Series 2007B Bonds, the Series 2007B Bonds will be exchangeable for fully registered Series 2007B Bonds in any authorized denominations of the same maturity, without charge, except the payment of any tax, fee or other governmental charge required to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. *See* " - Book-Entry Only System" herein and "Appendix D - Summary of Certain Provisions of the Resolution."

Description of the Series 2007B Bonds

The Series 2007B Bonds are dated January 30, 2007 and interest on the Series 2007B Bonds will be payable following the Conversion Date from such Conversion Date on January 1, 2010 and on each July 1 and January 1 thereafter at the rates set forth on the inside front cover page of this Reoffering Statement. The Series 2007B Bonds were issued as fully registered bonds and will be in denominations of $5,000 or any integral multiple thereof on and after the Conversion Date. The Series 2007B Bonds may be exchanged for other Series 2007B Bonds of any other authorized denominations upon payment of 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 and for the cost of preparing the new bond, and otherwise as provided in the Resolution. The Authority will not be obligated to make any exchange or transfer of Series 2007B Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for the Series 2007B Bonds and ending on such Interest Payment Date or (ii) after the date next preceding the date on which the Trustee commences selection of Series 2007B Bonds for redemption.

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2007B Bonds are subject to optional and mandatory redemption and purchase in lieu of redemption as described below.

Optional Redemption

The Series 2007B Bonds stated to mature after July 1, 2019 are subject to redemption prior to maturity on or after July 1, 2019, in any order at the option of the Authority, upon the request of NYSARC, as a whole or in part at any time, at a price of par plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2007B Bonds stated to mature on July 1, 2032 are also subject to mandatory sinking fund redemption, in part, on each July 1 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 (with the aggregate principal amount of $420,000 to be paid at stated maturity on July 1, 2032):

Year	Sinking Fund Installments
2030	$370,000
2031	395,000

The Series 2007B Bonds stated to mature on July 1, 2036 are also subject to mandatory sinking fund redemption, in part, on each July 1 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 (with the aggregate principal amount of $530,000 to be paid at stated maturity on July 1, 2036):

Year	Sinking Fund Installments
2033	$445,000
2034	475,000
2035	510,000

Special Redemption

The Series 2007B Bonds are also subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of the Authority on any Interest Payment Date, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project; and (ii) from unexpended proceeds of the Series 2007B Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2007B Bonds, other than mandatory redemptions, the Authority will select the maturities of the Series 2007B Bonds to be redeemed.

If less than all of the Outstanding Series 2007B Bonds of a maturity are to be redeemed, the Series 2007B Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using a method of selection that the Trustee considers proper in its discretion.

Notice of Redemption

The Trustee is to give notice of redemption of Series 2007B Bonds in the name of the Authority, by first-class mail, postage prepaid, to the registered owners of any Series 2007B Bonds that are to be redeemed, at their last known addresses appearing on the registration books of the Authority, not fewer than 30 days nor more than 45 days prior to the redemption date. The failure of any owner of a Series 2007B Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2007B Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee will publish or cause to be published such notice in an Authorized Newspaper not fewer than 30 days nor more than 45 days prior to the redemption date, but 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 Series 2007B Bonds.

If on the redemption date, money for the redemption of the Series 2007B Bonds to be redeemed, together with interest thereon to the redemption date, is held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2007B Bonds called for redemption will cease to accrue from and after the redemption date and those Series 2007B Bonds will no longer be considered to be Outstanding.

For a more complete description of the redemption and other provisions relating to the Series 2007B Bonds, *see* "Appendix D - Summary of Certain Provisions of the Resolution."

Purchase in Lieu of Optional Redemption

The Series 2007B Bonds maturing after July 1, 2019 are subject to purchase in lieu of optional redemption prior to maturity at the election of NYSARC on or after July 1, 2019, in any order, in whole or in part at any time, at par, plus accrued interest (the "Acquisition Price") to the date set for purchase (the "Acquisition Date").

Notice of purchase of the Series 2007B Bonds will be given in the name of NYSARC to the registered owners of the Series 2007B Bonds to be purchased by first-class mail, postage prepaid, not fewer than 30 days nor more than 45 days prior to the Acquisition Date.

The Series 2007B Bonds to be purchased are required to be tendered on the Acquisition Date to the Trustee. Series 2007B Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2007B Bonds are called for purchase in lieu of the exercise of optional redemption rights, their purchase will not operate to extinguish the indebtedness of the Authority evidenced thereby or to modify the terms of the Series 2007B Bonds, and the purchased Series 2007B Bonds need not be cancelled, but may remain Outstanding under the Resolution and in such event will continue to bear interest.

NYSARC's obligation to purchase a Series 2007B Bond to be purchased, or cause it to be purchased, is conditioned upon the availability of sufficient money to pay the Acquisition Price for all of the Series 2007B Bonds to be purchased on the Acquisition Date. If sufficient money is available on the Acquisition Date to pay the Acquisition Price of the Series 2007B Bonds to be purchased, the former registered owners of those Series 2007B Bonds will not have any claim thereunder or under the Resolution or otherwise for payment of any amount other than the Acquisition Price. If sufficient money is not available on the Acquisition Date for payment of the Acquisition Price, the Series 2007B Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Acquisition Date, who will be entitled to the payment of Debt Service Charges on such Series 2007B Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2007B Bonds of a maturity are to be purchased, the Series 2007B Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2007B Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2007B Bonds, *see* "Appendix D - Summary of Certain Provisions of the Resolution."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Series 2007B Bonds. The Series 2007B Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007B Bond certificate will be issued for each maturity of the Series 2007B Bonds, totaling in the aggregate the principal amount of the Series 2007B Bonds, 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, 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, thereby eliminating 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2007B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007B 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, but Beneficial Owners are 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 Series 2007B 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 Series 2007B Bonds, except in the event that use of the book-entry system for such Series 2007B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007B 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 the Series 2007B 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 Series 2007B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2007B 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 the Series 2007B Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an 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 Series 2007B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive Series 2007B Bonds will also be printed and delivered.

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

Each person for whom a Direct or Indirect Participant acquires an interest in the Series 2007B Bonds, as nominee, may desire to make arrangements with such Direct or Indirect Participant to receive a credit balance in the records of such Direct or Indirect Participant, and may desire to make arrangements with such Direct or Indirect Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Direct or Indirect Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH

DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2007B Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2007B Bonds (other than under the captions "PART 10 - TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2007B Bonds.

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Principal and Interest Requirements

The following table sets forth the amounts required to be paid by NYSARC during each twelve-month period ending June 30 of the Bond Years shown for the payment of Debt Service Charges on the Series 2007 Bonds after the reoffering of the Series 2007B Bonds:

	Series 2007A Bonds			Reoffered Series 2007B Bonds			Series 2007C Bonds			
12-Month Period Ending June 30	Principal Payments	Interest Payments	Total Debt Service on the Series 2007A Bonds	Principal Payments	Interest Payments	Total Debt Service on the Series 2007B Bonds	Principal Payments	Interest Payments	Total Debt Service on the Series 2007C Bonds	Total Debt Service on the Series 2007 Bonds
2010	$850,000	$325,031	$1,175,031	$130,000	$383,048	$513,048	$ 70,000	$ 3,710	$ 73,710	$1,761,789
2011	840,000	291,031	1,131,031	130,000	418,450	548,450	-	-	-	1,679,481
2012	845,000	257,431	1,102,431	145,000	412,600	557,600	-	-	-	1,660,031
2013	835,000	223,631	1,058,631	145,000	406,075	551,075	-	-	-	1,609,706
2014	835,000	190,231	1,025,231	160,000	399,187	559,187	-	-	-	1,584,418
2015	820,000	156,831	976,831	165,000	391,587	556,587	-	-	-	1,533,418
2016	785,000	124,031	909,031	175,000	383,750	558,750	-	-	-	1,467,781
2017	730,000	92,631	822,631	175,000	375,437	550,437	-	-	-	1,373,068
2018	715,000	63,431	778,431	185,000	366,687	551,687	-	-	-	1,330,118
2019	530,000	34,831	564,831	195,000	357,437	552,437	-	-	-	1,117,268
2020	305,000	13,631	318,631	205,000	347,200	552,200	-	-	-	870,831
2021	25,000	1,050	26,050	220,000	336,437	556,437	-	-	-	582,487
2022	-	-	-	230,000	324,337	554,337	-	-	-	554,337
2023	-	-	-	245,000	311,687	556,687	-	-	-	556,687
2024	-	-	-	260,000	297,600	557,600	-	-	-	557,600
2025	-	-	-	275,000	282,000	557,000	-	-	-	557,000
2026	-	-	-	290,000	265,500	555,500	-	-	-	555,500
2027	-	-	-	310,000	248,100	558,100	-	-	-	558,100
2028	-	-	-	330,000	229,500	559,500	-	-	-	559,500
2029	-	-	-	350,000	209,700	559,700	-	-	-	559,700
2030	-	-	-	370,000	188,700	558,700	-	-	-	558,700
2031	-	-	-	395,000	166,500	561,500	-	-	-	561,500
2032	-	-	-	420,000	142,800	562,800	-	-	-	562,800
2033	-	-	-	445,000	117,600	562,600	-	-	-	562,600
2024	-	-	-	475,000	90,900	565,900	-	-	-	565,900
2035	-	-	-	510,000	62,400	572,400	-	-	-	572,400
2036	-	-	-	530,000	31,800	561,800	-	-	-	561,800

PART 4 - PLAN OF CONVERSION AND REMARKETING

The Series 2007B Bonds were originally issued on January 30, 2007 and remain in the Weekly Rate Mode. NYSARC has determined to direct the Authority to deliver a Conversion Notice in accordance with the Series 2007B Bond Series Certificate pursuant to which the interest rate borne by Series 2007B Bonds will be converted on the Conversion Date (August 6, 2009), subject to the satisfaction of certain conditions described below, from the Weekly Rate Mode to the Fixed Rate Mode.

Following delivery of the Conversion Notice, the Series 2007B Bonds will be subject to mandatory tender for purchase on the Conversion Date at a Purchase Price equal to the principal amount thereof, regardless of whether all of the conditions to the conversion are satisfied. Holders of outstanding Series 2007B Bonds will be required to tender their Series 2007B Bonds to the Tender Agent for purchase on the Conversion Date, and any Series 2007B Bonds not so tendered will be deemed to have been properly tendered for purchase and, if sufficient funds to pay the Purchase Price of those Series 2007B Bonds are on deposit with the Tender Agent, they will cease to constitute or represent a right to payment of principal thereof or interest thereon. If any condition to the conversion is not timely satisfied, the Series 2007B Bonds so tendered will remain and be remarketed in the Weekly Rate Mode. **This Reoffering Statement does not describe the Series 2007B Bonds in the Weekly Rate Mode and is not authorized to be used in remarketing the Series 2007B Bonds in that Rate Mode.**

The conversion of the Rate Mode on the Series 2007B Bonds from the Weekly Rate Mode to the Fixed Rate Mode on the Conversion Date is subject to, among other matters, (i) provision of the Conversion Notice to the Trustee, NYSARC, the Tender Agent, the Depository, the Remarketing Agent, Ambac Assurance and the Provider at least 15 days prior to the Conversion Date, (ii) the absence of the occurrence and continuation on the Conversion Date of an Event of Default under the Resolution, (iii) receipt of Ambac Assurance's consent to the conversion, (iv) delivery of an Opinion of Bond Counsel on the Conversion Date to the effect that the conversion under the circumstances and in the manner contemplated by this Reoffering Statement will not cause interest on the Series 2007B Bonds to be includable in the gross income of the owners of the Series 2007B Bonds for purposes of federal income taxation and that the conversion is authorized or permitted by the Resolution, and (v) signing and delivery of an Agreement to Provide Continuing Disclosure as contemplated below under "PART 14 – CONTINUING DISCLOSURE." Ambac Assurance has delivered its consent to the proposed conversion.

In the event all conditions to the conversion are satisfied, the Liquidity Facility issued by the Provider to secure the payment of the Purchase Price of any tendered Series 2007B Bonds that cannot be timely remarketed, will terminate; otherwise, if the Series 2007B Bonds remain in the Weekly Rate Mode on and after the Conversion Date, the Liquidity Facility will remain in full force and effect in accordance with its terms.

PART 5 - NYSARC

Purpose and Operations

NYSARC (formerly New York State Association for Retarded Children, Inc.), is a leading advocate for the rights of New York State residents who have intellectual and developmental disabilities. NYSARC seeks to better the lives of these individuals by influencing public policy and opinion and offering a full range of habilitative and residential programs through its local, community-based chapters. NYSARC has 49 local operating chapters that provide a continuum of services from infant stimulation services to programs for senior citizens. In addition, NYSARC has 8 local chapters the activities of which are dedicated to advocacy for the rights and care of these individuals. The goal of NYSARC, working through its local chapters, is to provide the individuals it serves with the same opportunities for education, training, rehabilitation, employment and housing afforded to all citizens.

According to the New York State Office of Mental Retardation and Developmental Disabilities ("OMRDD"), approximately three percent of New York State residents have intellectual or developmental disabilities that require some form of care. The volume and variety of programs and services required to meet the individual needs of the persons served by NYSARC have expanded greatly since the 1980s. This is due to a variety of factors, but most importantly, the general population's increasing recognition of the superiority of, and its support for, community-based programs over State-operated institutions to address the needs of these individuals and litigation involving New York State in the 1990s that led to the State's commitment to move individuals who have intellectual or developmental disabilities out of State-operated institutions and into residential community programs and to greatly increase funding for such programs. Since the mid-1990s, community placements have increased by 34%, while the population of State-operated institutions has decreased by 65%. Since 1980, the number of individuals housed in residential facilities has increased by 410% and the number of individuals housed in State-operated institutions has decreased by 90%.

The effectiveness of NYSARC's community-based service model in serving New York State residents who have intellectual or developmental disabilities, and NYSARC's essential function within and to New York State, in meeting the needs of this population, is reflected in the growth of its overall funding, the share of New York State funding for such purposes that it receives, the number of persons it serves and the number of persons employed to provide such services. NYSARC's total revenues have grown from approximately $164,000,000 in 1983 to over $1,630,000,000 in 2008, and it received approximately one-third of the total amount appropriated by New York State in 2007 to meet the needs of this population. The 49 local operating chapters currently serve more than 63,000 persons and employ over 31,000 staff members.

Organization

NYSARC's direct services to its clients are delivered through its 49 local operating chapters, each of which is chartered by NYSARC for a specific geographic jurisdiction. Local chapters are not separately incorporated and function as divisions of NYSARC. Many such chapters are, however, supported by a separate nonprofit corporation under common control with the related chapter that holds title to real property used by the chapter. Control is established through the organizational instruments of the supporting nonprofit corporation, which generally mandate that all of the members of the board of directors of the corporation, or a sufficient number to establish control, be directors of the related chapter. Most of these supporting corporations exist solely to hold title to real property and do not have any operations, and the properties they own are made available to the local chapter through lease arrangements with NYSARC. Regulatory requirements relating to reimbursement for costs of services funded with New York State and federal money, and requirements of lenders that provide financing for certain facilities, have led to the use of these separate property holding corporations.

Participants in many local chapters have also organized supporting foundations to conduct fundraising on behalf of the chapter. Five local chapters also use separate entities to provide Article 28 clinic services and home health care services. The corporations established to hold title to property separately are governed by reimbursement and grant requirements of the regulatory agencies and lenders.

NYSARC has temporarily suspended evaluation of its current corporate structure because of uncertainty in the credit markets. If this evaluation is renewed, NYSARC may consider significant changes to its structure, including, for example, the incorporation of existing NYSARC chapters as not-for-profit corporations separate from NYSARC. NYSARC recognizes that any restructuring would require the consent of bond and note holders, insurers, DASNY and other lenders consistent with the terms of loan and credit agreements. One of the stated goals of NYSARC's board of governors in regard to a restructuring is that it will be designed to allow NYSARC and its chapters to access financing in the same manner and with the same credit rating that it now enjoys.

Governance

NYSARC is a New York not-for-profit corporation. It has 57 local chapters, each of which is authorized by NYSARC's board of governors, and of which 49 operate to serve directly the needs of New York State residents who have intellectual or developmental disabilities. Each local chapter's officers are responsible for that chapter's day-to-day operations.

NYSARC is governed by a board of governors at least two-thirds of the members of which must be parents or blood relatives of a person who has intellectual or developmental disabilities. The board of governors is comprised, at present, of 132 members; it may not consist of fewer than ten nor more than 150 members. The members of the board of governors are appointed by and represent the local chapters, with the allocation of members between local chapters based on the size of each local chapter's active membership.

The board of governors is responsible for the management of NYSARC's affairs, including its property and business operations. It adopts rules, regulations, policies and procedures for the governance and operations of the local chapters, its own meetings, and the carrying out of its corporate purposes and objectives.

Upon request to the secretary of the board of governors by any local chapter, any action of the board of governors may be reviewed at NYSARC's next succeeding annual fall convention. Such action may only be rescinded by an affirmative vote of the delegates present at such convention, representing at least two-thirds of the local chapters; provided that, no irrevocable rights of third parties are permitted to be affected by any such action.

The board of governors meets at least twice a year. Recognizing that such a large board cannot meet regularly, the by-laws of NYSARC establish an executive committee. The executive committee of the board of governors consists of all of its elected officers and one other member of the board of governors from each of NYSARC's four geographic regions (central, southeast, northeast and western). The executive committee, which currently has 14 members, possesses the power and authority of the board of governors during intervals between meetings of the board.

There are 20 standing committees that act in advisory roles to the board of governors. These committees recommend annual goals in areas such as legislation, guardianship, education, community residential services, developmental centers, prevention and public information. In addition to the standing committees, the board of governors may establish ad hoc committees.

The current members of the executive committee are:

KATHERINE WILSON CONROY President White Plains, New York	ERIC STICKELS Treasurer Oneida, New York	DR. JOHN KOWALCZYK Member at Large, Western Region Utica, New York
MARYANN BRYANT Senior Vice President and Vice President, Central Region Pine City, New York	JOSEPH BOGNANNO Assistant Treasurer Canandaigua, New York	DR. IRVING CAMINSKY Member at Large, Southeast Region Chestnut Ridge, New York
ROBERT BOENING Vice President, Southeast Region Hurley, New York	LAURA KENNEDY Secretary Staten Island, New York	DIAN CIFUNI Member at Large, Developmental Center Garnerville, New York
MARY SKILLAN Vice President, Northeast Region Plattsburgh, New York	ANNE MARIE LOCKHART Member At Large, Northeast Region Lake George, New York	THOMAS F. MOORE Immediate Past President Valley Stream, New York
MARY ELLEN MURPHY Vice President, Western Region West Seneca, New York	ARTHUR STILWELL Member at Large, Central Region Painted Post, New York	

NYSARC's state office (the "State Office") is located in Delmar, New York. The board of governors annually approves a budget for the State Office that includes such items as are deemed necessary for the administration of its corporate purposes. The staff of NYSARC consists of the executive director and such staff as the executive director requires to implement the goals, purposes and mission of NYSARC.

NYSARC's State Office staff includes professionals who are experienced in the delivery of direct care to clients and local chapter administration. They provide technical assistance, including in areas such as the interpretation of laws and regulations, training programs, one-to-one advocacy and, on occasion, direct management of local chapters as deemed necessary by the executive committee or at the request of a local chapter's board of directors. The State Office employs a corporate compliance officer, who reports directly to the corporate compliance committee of the board of governors on matters of compliance involving NYSARC's local chapters.

The State Office seeks to ensure that local chapters are operating within the policies and procedures established by the board of governors and is also responsible for NYSARC's guardianship program. The State Office provides supplemental needs trust administration services for trusts of which NYSARC acts in the capacity of co-trustee pursuant to federal and New York State statute. The executive committee appoints the trustees and management board to oversee the operation of the trusts.

Marc N. Brandt has been executive director for NYSARC for the past 25 years and is responsible to the board of governors for the management of NYSARC. Prior to his current position, Mr. Brandt was Executive Director of NYSARC's Sullivan County Chapter for 11 years. Mr. Brandt has an M.S. Degree from Ferkauf Graduate Center of Yeshiva University, New York City. Mr. Brandt serves on numerous national and state-level committees advising government on services and rights for persons with intellectual and other disabilities.

John J. Sherman is the associate executive director for fiscal management for NYSARC. He has been in this position since 1984 and began with the Niagara County Chapter of NYSARC in 1981. Mr. Sherman has an MBA from Canisius College, Buffalo, New York. He has served as a director, treasurer and on committees for the Mental Health Association of New York State. He is a director and treasurer of ClearView Center, Inc., a non-profit mental health care provider in Albany, is a member of the Rensselaer County Community Services Board and a reviewer for Empire State Advantage. He is Chair of the NYSARC Workers' Compensation Trust and acts on behalf of NYSARC in its capacity as co-trustee of its community trusts and as trustee of individual supplemental needs trusts administered by NYSARC.

Program Descriptions

Below are brief descriptions of several key programs and services provided by NYSARC's local chapters to children and adults who have intellectual or other developmental disabilities. NYSARC also provides a variety of support services to the families of these individuals.

Early Childhood Programs. Early intervention programs approved by the New York State Department of Health and preschool programs approved by the New York State Department of Education provide necessary developmental and education services to children with disabilities from birth to age five. Certified professionals provide speech, physical and occupational therapy, psychological services, special education and instruction in the child's home, a regular day care or nursery program or in facilities or schools operated directly by NYSARC chapters and day care approved by the New York State Department of Child and Family Services. New York State policy for the provision of these services to eligible children has shifted from providing services only in segregated special education settings (*i.e.*, where only children with disabilities attend) to providing the educational services in a full range of more integrated settings *(i.e.*, where children with disabilities and typically developing children attend).

School-Age Education Programs. Special education programs for students with disabilities between the ages of five and 21 are currently operated by eight local chapters and are approved by the New York State Department of Education. These programs serve students with severe disabilities who are unable to be served by their school district.

Day Services. Day treatment are programs certified by OMRDD that provide full and half-day services for individuals who require a more closely supervised, non-vocational type of program. Services include self-care, pre-vocational training, remedial education, occupational, physical and speech therapy, psychological, nutritional and other health care services.

Sheltered employment (also known as day training) at local chapter workshops enables individuals to develop appropriate vocational skills and work habits within a supportive environment. These programs provide useful skills and guidance that may lead to competitive employment. They are certified by OMRDD, pay wages to trainees with disabilities in accordance with standards of the U.S. Department of Labor and are also monitored by the New York State Department of Education's Office for Vocational and Educational Services for Individuals with Disabilities ("VESID").

Supported and integrated employment services are provided to people with disabilities by trained job coaches in community retail, commercial and manufacturing businesses, in conjunction with non-disabled workers. These services are provided under contract with OMRDD, VESID, or the Office of Mental Health.

Clinic Services. Clinic treatment programs certified by either the New York State Department of Health or OMRDD are operated by many local chapters and provide physical, occupational and speech therapies, rehabilitation counseling, nursing, psychological and, in a small number of chapter clinics, medical and dental services. These services are professionally designed and prescribed to enhance cognitive development, language development, daily living skills and other areas in accordance with the needs of recipients with intellectual or other developmental disabilities. Article 28 clinics certified by the New York State Department of Health may also serve the general public as well as program participants.

Home and Community Based Services. Chapters provide a variety of individualized programs and services under OMRDD's Home and Community Based Services Medicaid, ("HCBS") waiver. These services include day habilitation that can be provided in congregate programs in facilities owned or leased by NYSARC or in individual or small group community settings. Chapters also offer service coordination, to ensure the individual is receiving necessary services, environmental modifications such as the installation of wheelchair ramps or special bathroom accommodations, assistive technology services such as special language/communication devices or wheelchair modifications to meet the needs of the individual, and residential habilitation support from trained staff who provide services in the home of the individual with the disability, whether living independently or with family.

Home care services approved by the New York State Department of Health provide in-home nursing and assistance in daily living activities to persons with special needs.

During 2009, several new service modalities will be added to allow more choice to persons receiving services and support who are capable of participating and benefiting from a less restrictive environment and to support families who are able to keep their son or daughter at home. Emphasis will be placed on providing the following: (i) service in non-certified settings, (ii) individualized day habilitation and day habilitation without walls and (iii) employment.

Residential Services. NYSARC provides a wide variety of residential services throughout the State for children and adults. Among these services are: Intermediate Care Facilities, Community Residences, Individualized Residential Alternatives and Supportive Apartments. Each residential program type is provided in accordance with OMRDD regulations.

These residential programs are designed to enable all individuals who are intellectually or developmentally disabled to live as independently as possible in the community while receiving the necessary support services and level of supervision that most closely reflect their needs and abilities. Appropriate contact and coordination with family members is encouraged through each residential option. The following is a brief description of each program.

"Intermediate Care Facilities for Developmentally Disabled" ("ICF/DD") provide community-based residences in a homelike atmosphere for children and adults with severe disabilities due to intellectual and/or other developmental disabilities. Persons placed in this type of residence are provided with intensive assistance in their daily living activities such as bathing, toileting, eating and dressing. Due to the behavioral, medical and personal assistance needs of the persons living in an ICF/DD, the staffing ratio is lower than that of other residential programs and provides required clinical services such as speech and physical therapy and nursing services under the direction of a physician. Twenty-four hour supervision is necessary and close coordination with family members is encouraged.

"Community Residences" and "Individualized Residential Alternatives" ("IRA") are residences in which individuals reside and receive supervision and guidance from trained staff. Such residences provide a home-like atmosphere staffed by trained individuals who offer assistance in daily living skills and personal adjustment. These options are less restrictive than the ICF/DD and there is generally a greater reliance on medical, recreational and other support services from the general community. The Community Residences and IRA also provide greater involvement in daily living activities such as food shopping, meal preparation, neighborhood and community functions and use of public transportation in accordance with the capabilities of each individual. Clinical services, if necessary, are generally provided through the day program attended by the resident with close coordination with the residential staff. IRAs are funded through the HCBS (as defined below) waiver and have largely replaced Community Residences.

"Supportive Apartments" are available to persons who are intellectually and/or developmentally disabled who require minimal staff assistance. These apartments require the greatest level of independence on the part of the resident. Unlike other residential programs described above, there is more time spent independent of staff supervision. Each apartment, which generally accommodates one to three persons, provides independent living arrangements with no overnight supervision. However, personal contacts between agency personnel and each resident are generally made on a daily basis to ensure coordination of service and the overall well-being of each person.

Family Support and Outreach. Family support and outreach services are provided in a variety of ways through NYSARC's local chapters. Family support services provide support and training to families of individuals who are intellectually and/or developmentally disabled. These services help to strengthen the family's ability to continue to provide care in their home while enhancing the overall functional development of the individual and coping capacity of the family. Parent and sibling support groups, in-home respite, counseling, crisis stabilization, information and referral, recreation, guardianship and service coordination/case management are only a few of the services provided.

Chapters also administer voucher programs under family support through which the family may receive reimbursement for essentials such as diapers, personal aides, transportation, etc. to assist the family in maintaining their child at home.

Respite is provided under family support services and also home and community based services. Respite is offered in the family's home or in free standing residences operated by chapters. Respite is provided in order to give parents or other caregivers the opportunity to participate in community activities, to vacation, or even in the event of a hospitalization or other crisis.

Guardianship. Guardianship, which is a legal proceeding in the surrogate's court, designates a parent, relative, friend or an organization to act on behalf of an individual who is intellectually and/or developmentally disabled and unable to manage personal affairs without assistance. The guardianship program was established in 1970 by NYSARC in order to provide a permanent commitment to parents to ensure the continuity of care and protection for the entire life of their family member.

Advocacy Services. Advocacy services are provided by many chapters to assist individuals and/or their families in obtaining public benefits for which they are eligible or to receive needed services, such as special education, to which they are entitled by law.

Trust Services. NYSARC is the co-trustee of supplemental needs trusts (NYSARC, Inc. Community Trust I, II, and III), established by disabled persons pursuant to federal and state statute. The purpose of the Community Trusts is to allow disabled persons to qualify for community Medicaid services to remain in their regular homes for as long as possible.

NYSARC is co-trustee of the NYSARC, Inc. Third Party Agency Trust funded by OMH and OMRDD. This Trust allows beneficiaries to be eligible for community Medicaid while being integrated into the community.

The trust services department administers the NYSARC Trust Fund, which consists of third party supplemental need trusts benefiting persons with intellectual disabilities, on behalf of the board of trustees as appointed by NYSARC's executive committee. NYSARC provides individual SNT trusteeship and administration for persons with any disability.

Revenues

Approximately 97% of NYSARC's 2008 revenues were attributable to programs in which the services described above were provided. They were received under contract and reimbursement arrangements from the following New York State agencies, which accounted for the percentage of those revenues indicated parenthetically: 1) OMRDD (83%), 2) New York State Department of Education (7%), 3) New York State Department of Health (6%), and 4) New York State Office of Mental Health and New York State Office of Alcohol and Substance Abuse Services (0.6%). The remaining 3.4% of all revenues are attributable to contributions, fundraising and interest earnings. All but two of the Projects to be funded through this financing are supported by funding from OMRDD, the largest funding source for NYSARC.

Medicaid is the largest payor source for NYSARC, accounting for 60% of OMRDD-derived revenues. In recent years, OMRDD has sought to utilize the Medicaid program funding as a means to supplement State funding. This initiative has resulted in improved cash flows and a reduction in days outstanding in accounts receivable, as most programs have moved from a quarterly or annual State contract billing, which were sometimes delayed by New York State budget deliberations, to weekly, bi-weekly and monthly billing cycles depending on the program. In contrast to traditional Medicaid funding to health care providers, Medicaid rates for NYSARC programs are specific to the service provider, program and the individuals to be served. Rates may be adjusted if the needs of the individuals served change or unforeseen vacancies occur. Adjustments are generally made on an annual basis after submission of regulatory reports.

An average of approximately 83% of the operating budgets of the local chapters is funded through individual program rates and contracts set by OMRDD with approval of the New York State Division of Budget. Certain revenues are also derived from sheltered workshops and from contract sales of products and services produced through the efforts of disabled workers. Those sales account for approximately 9% of total OMRDD related revenues.

The current methodologies used by OMRDD in determining the amounts to be paid to the Participating Chapters for provision of services is set forth below.

New York State Office of Mental Retardation and Developmental Disabilities

OMRDD serves and supports individuals with developmental disabilities and their families through provision of a broad array of residential and habilitation services offered through non-profit providers like NYSARC. In partnership with local governments and non-profit providers, OMRDD oversees a comprehensive system for delivery of services to people who are developmentally disabled. Both institutional and community-based services are delivered through a network of non-profit providers, eight State developmental centers and numerous State-operated programs based in the community.

OMRDD is responsible for developing a comprehensive, cost-effective and integrated system of services to serve the full range of needs of intellectually and/or developmentally disabled persons. OMRDD funds and regulates a State-operated and volunteer-operated community-based services program which now provides residential services to approximately 32,000 individuals and day services supporting almost 51,000 individuals. Additionally, families who care for more than 85,000 disabled family members at home are supported by a variety of services, including respite and crisis intervention, which help prevent unnecessary and costly out-of-home placement. These services are made possible by the cooperative efforts of localities, voluntary, not-for-profit organizations (*e.g.*, the Participating Chapters), and service providers who work with OMRDD to deliver appropriate and cost effective services to persons who have intellectual or developmental disabilities.

The total “Aid to Localities” (that portion of the State budget that funds voluntary services) for FY 2008-2009 was $2,234,383,899 and for FY 2009-2010 is $2,236,062,000, a slight increase, demonstrating New York State’s commitment to its developmentally disabled population despite the worst recession in the last 60 years. This appropriation does not include federal Medicaid, SSI, and other funds used to support developmentally disabled individuals receiving services from providers licensed by OMRDD. Federal Medicaid funds are appropriated to the New York State Department of Health and are combined with OMRDD appropriated funds as services are reimbursed. Likewise, SSI funds are a combination of federal and State moneys, and are appropriated to the New York State Department of Health. The current Aid to Localities includes an increase for ICF/DD and certain programs and service options funded under the HCBS waiver. The HCBS waiver is a state and federally regulated program designed to create an individualized service environment for ICF/DD eligible individuals as an alternative to ICF/DD placement. The purpose of an individualized service environment is to provide the support or services necessary to enable a person with a developmental disability to live, work, socialize and participate in their community. Such support and services may include any of the following, based upon the individual’s needs and preferences: case management, residential habilitation, day habilitation, pre-vocational services, supported employment, environmental modifications, adaptive technologies and respite services. The current State budget appropriation for the 2009-2010 year continues prior year funding levels. Additionally, in recognition of the increasing burden of health insurance costs on employees, the budget proposes that “Health Care Enhancement” (“HCE”) funding of $98,000,000 be allocated to reduce the burden of health insurance on provider agencies and employees. No trends or cost of living adjustments outside of the HCE are included in the FY 2010 appropriation.

Prior Property Approval Process

OMRDD is responsible for the regulation and certification of facilities to be used directly in the provision of services to persons who have intellectual or developmental disabilities (“Direct Service Facilities”). Such regulation and certification includes, among other things, participation in the determination as to the need for the facility, review of plans and specifications for acquisition/construction/rehabilitation of the facility, the right to conduct inspections and program audits, and the establishment of a reimbursement rate/price for an individual’s care.

Prior to initiating the development of a capital project that would constitute a Direct Service Facility, a not-for-profit provider is required under New York State Codes, Rules and Regulations Part 620 to complete a Certificate of Need (“CON”) process. The CON is reviewed by the OMRDD Developmental Disabilities Services Office in the provider’s region for compliance with local government and general State plans for needed services.

Once CON approval is received and an appropriate program site is identified, a Prior Property Approval ("PPA") proposal that details the capital costs associated with the development of the site is prepared by the provider and the regional Developmental Disabilities Services Office. The PPA process, inaugurated in the early 1980s, was developed to satisfy the OMRDD regulatory requirement and the New York State Division of the Budget's approval process for capital costs. This regulatory requirement is incorporated in New York State Codes, Rules and Regulations Parts 681, 686 and 690. The PPA identifies funding and financing sources for capital costs and the level and method of reimbursement for such costs.

PPA approval of a project establishes the commitment of the voluntary provider to develop the program to serve a specific number of individuals in a specific type of facility and program, and the commitment of the State to pay operating support for the project if it is completed within the approved budget in conformance with the PPA. For ICFs, IRAs, and Community Residences, OMRDD will reimburse a provider for all capital costs approved in the PPA at the daily rate/price for the term described in the PPA. As long as the operator continues to meet the requirements of the operating certificate, the operator is eligible for such reimbursement.

Certain capital costs are not subject to the PPA process. For example, capital costs relating to projects that serve administrative purposes, rather than program purposes, are not subject to the PPA process. Similarly, the costs associated with equipment depreciation and interest are treated as add-ons to a site rate. OMRDD adjusts this component of the site rate to reflect the change in cost annually. Additionally, each Participating Chapter is allocated its pro rata share of corporate administrative costs through an administrative component of its rate. The depreciation and interest attributable to administrative facilities and equipment are included in this component of the rate.

The Series 2007B Bonds are not allocable to the financing or refinancing of Direct Service Facilities. The term of the loan made to NYSARC with proceeds of the Series 2007B Bonds, and the principal amount and amortization provisions of the Series 2007B Bonds, have been established based on the estimated useful life of the facilities financed as determined by NYSARC.

Employee Matters

Pursuant to final changes in U.S. Department of Treasury regulations issued in August 2007 related to retirement plan discrimination and controlled group requirements, NYSARC determined that aggregate discrimination testing of all local chapter and State Office plans is annually required. NYSARC plans, taken in the aggregate, satisfied the thresholds established by the regulations for 2006 and 2007. Employee data for 2008 are currently being collected. Each chapter provides its own employee benefit array. NYSARC policy prohibits the use of defined benefit pension plans without the express approval of the board of governors.

Employees of seven NYSARC local chapters are represented by collective bargaining units. Unions are recognized by, and negotiate with, individual chapters rather than the statewide organization. One of the Participating Chapters has a collective bargaining unit. NYSARC has generally good relations with the unions representing its employees.

Pending Litigation and Regulatory Matters

NYSARC and its local chapters are named defendants in a number of lawsuits of varying nature. NYSARC and its local chapters maintain insurance to cover this liability. NYSARC is unable to assess the amount of awards and judgments at this time. However, NYSARC believes all such litigation is adequately covered by its insurance.

Two local chapters of NYSARC have filed complaints seeking that they be allowed to incorporate separately from NYSARC and that the property owned by NYSARC and allocable to the respective local chapter be transferred by NYSARC to the new corporate entity. NYSARC obtained a summary dismissal on June 10, 2009 of the claim in one case and is pursuing a summary dismissal of the claim in the other case. The chapter against which the summary dismissal was granted may determine to appeal that decision. Management believes that neither complaint has any legal basis.

Most of the services that NYSARC provides through its local chapters are billed to the New York State Medicaid program. Therefore, NYSARC is, as is any other Medicaid provider, subject to an array of federal and State statutes and regulations designed to protect the fiscal integrity of government health care benefit programs generally, and the Medicaid program in particular. A Medicaid provider that fails substantially to comply with the numerous requirements for participation in the program and receipt of Medicaid reimbursement, or that engages in certain prohibited acts, including without limitation, making false claims to Medicaid for services not rendered or not adequately documented, misrepresenting actual services rendered in order to obtain higher reimbursement, or paying or receiving remuneration for Medicaid referrals, may be subject to potential recoupment of Medicaid payments, substantial civil and criminal penalties and/or exclusion from participation in the Medicaid program. Indeed, in recent years, providers of services for the developmentally disabled have been receiving increased attention from Medicaid enforcement agencies, and there has been an increase in the general level of enforcement activity with respect to the Medicaid program at the federal and state government level, as well as in the number of private “whistleblower” lawsuits.

Like other providers of Medicaid-reimbursed services, issues pertaining to Medicaid reimbursement or compliance are identified from to time to time during the course of internal auditor review, and NYSARC and its local chapters are subject, from time to time, to investigations or enforcement proceedings brought by applicable regulatory agencies. NYSARC believes that such findings, investigations and proceedings are an inherent byproduct of providing Medicaid-reimbursed services. However, NYSARC believes that the activities of NYSARC and its local chapters are conducted substantially in compliance with applicable laws and regulations affecting the Medicaid program, and that the experience of NYSARC and its local chapters is equal to or better than that of comparable providers in terms of the incidence and scope of such internal findings, investigations and enforcement proceedings. Further, to help control Medicaid-related risk, NYSARC’s board of governors has created a board-level Corporate Compliance Committee, mandated that all local chapters maintain a corporate compliance program, and established a Corporate Compliance Officer staff position at the State Office, reporting directly to the Corporate Compliance Committee, to assist and advise local chapters in the implementation and effectiveness of corporate compliance at the local level.

<u>Financial Matters</u>

Financial Reporting

The State Office's accounting professionals prepare monthly, year-to-date and annual combined, unaudited financial statements for NYSARC (the "Preliminary Financial Statements"), and NYSARC retains annually an independent public accounting firm to compile combined, unaudited financial statements for NYSARC in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), for the year ended and as of the immediately preceding December 31 (the "Final Annual Financial Statements").

The Preliminary Financial Statements include financial information for the State Office and its local chapters, but generally do not include any property-holding, controlled affiliates of local chapters. Although U.S. GAAP requires the consolidation of these affiliates for financial accounting purposes, their aggregate net operating revenue (or deficit) is insubstantial (accounting for less than 2% of NYSARC's revenues in 2007, the most recent year for which Final Annual Financial Statements are available), and they accounted, in the aggregate, for less than 7% of NYSARC's assets and liabilities, determined on a combined basis, as of December 31, 2007. The Preliminary Financial Statements also do not contain footnotes of the type included in the Final Annual Financial Statements. *See, e.g.,* "Appendix B − NYSARC, Inc. Combined Financial Statements as of December 31, 2007 Together with Accountants' Compilation Report (Unaudited)." Those footnotes may provide information of interest to an investor.

The Final Annual Financial Statements are compiled in accordance with U.S. GAAP and include financial information for the State Office, the local chapters and affiliates required to be consolidated under U.S. GAAP. They are based upon audited financial statements prepared for the local chapters and their affiliates by independent public accounting firms selected by the local chapters, subject to approval by the State Office. However, the Final Annual Financial Statements themselves are not audited, and NYSARC has not undertaken any commitment to obtain, and does not have any expectation of obtaining, an audit of its financial statements. The compilation is limited to the presentation in the form of financial statements of information that is represented to the independent public accounting firm by NYSARC's management. It does not constitute an audit or review of NYSARC's financial statements, and the accounting firm does not express any opinion or provide any assurance on them.

All local chapters, except the New York City chapter and the State Office, maintain their books and records on a calendar year basis. The fiscal years of the State Office and the New York City chapter end on May 31 and June 30, respectively.

In the experience of NYSARC's management, the summary financial information for a particular year of the type set forth below under "Summary Financial Information" has not differed in any material respect as between the information derived from the Preliminary Financial Statements for that year and the Final Annual Financial Statements for that year.

Summary Financial Information

The following table is abstracted from NYSARC's Final Annual Financial Statements as of and for the years ended December 31, 2004 through December 31, 2007, and its Preliminary Financial Statements as of and for the year ended December 31, 2008 and the three-month periods ended March 31, 2008 and March 31, 2009:

Combined Balance Sheet (unaudited)

	For the Years Ended December 31, (in thousands)					For the Three-Month Periods Ended March 31, 2008 and March 31, 2009	
	2004	**2005**	**2006**	**2007**	**2008**	**2008**	**2009**
Assets:							
Current Assets	$401,995	$432,603	$461,806	$482,123	$478,429	$496,330	$492,173
Net Property, Plant & Equipment	357,025	408,351	447,206	445,425	430,558	398,895	430,580
Other Assets	42,342	55,477	51,759	56,263	50,986	52,880	53,573
Total	$801,362	$896,431	$960,771	$983,811	$959,973	$948,105	$976,326
Liabilities and Net Assets:							
Current Liabilities	$210,267	$228,228	$262,905	$312,356	$271,187	$274,509	$282,179
Long-Term Debt	217,651	269,238	268,856	261,545	279,787	276,740	279,314
Other Liabilities	23,826	32,633	34,626	26,733	30,432	29,246	29,235
Net Assets (unrestricted)	336,759	352,368	379,172	345,730	370,409	361,415	376,234
Net Assets (restricted)	12,858	13,964	15,212	37,447	8,155	6,195	9,364
Total	$801,362	$896,431	$960,771	$983,811	$959,970	$948,105	$976,326

Combined Statement of Activities (unaudited)

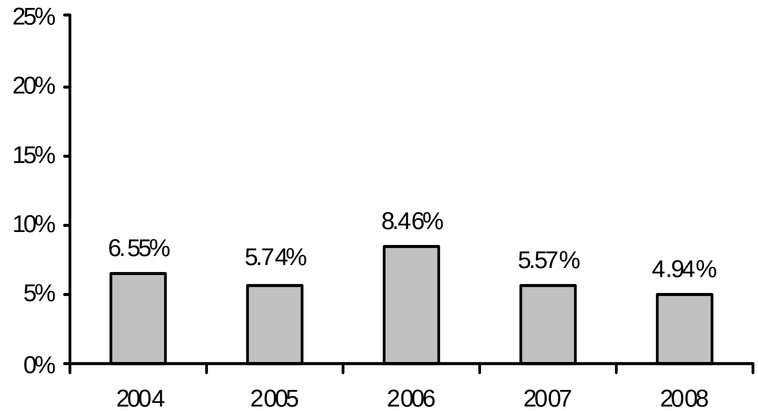
	For the Years Ended December 31, (in thousands)					For the Three-Month Periods Ended March 31, 2008 and March 31, 2009	
	2004	**2005**	**2006**	**2007**	**2008**	**2008**	**2009**
Support and Revenue:							
Program Revenue	$1,267,357	$1,335,537	$1,443,874	$1,519,813	$1,630,282	$ 502,974	$ 517,108
Nonprogram Revenue	14,934	13,918	21,337	30,250	6,455	3,414	3,399
Other	6,445	12,850	12,416	10,010	1,917	387	377
Net Assets Released from Restrictions	999	1,495	1,489	1,356	-	-	-
Total Revenue	$1,289,735	$1,363,800	$1,479,116	$1,561,447	$1,638,654	$ 506,776	$ 520,884
Expenses:							
Program Services	$1,152,363	$1,220,820	$1,325,106	$1,411,908	$1,487,394	$474,949	$ 480,437
Management and General	104,553	112,719	120,034	129,288	135,517	29,383	30,501
Other	9,192	11,074	5,419	11,215	3,557	-	-
Total Expenses	$1,266,108	$1,344,613	$1,450,559	$1,552,411	$1,609,000	$ 505,167	$ 511,891
Change in Unrestricted Net Assets	$23,627	$ 19,187	$ 28,557	$ 9,036	$ 12,186	$ 1,609	$ 8,993
Change in Temporarily Restricted Net Assets	365	1,678	217	389	143	230	176
Change in Permanently Restricted Net Assets	33	51	36	201	-	-	-
Total Change in Net Assets	$24,025	$20,916	$28,810	$9,626	$12,329	$ 1,839	$ 9,169
Cash and Cash Equivalents	$76,277	$80,336	$83,001	$75,933	$90,622	$92,794,039	$103,248,237

Certain Financial Data

The pro forma information set forth in the tables below is based on the assumption that (i) the Series 2009A Bonds have been issued in the aggregate principal amount set forth on the cover of the 2009A Official Statement, bear interest at the rates, mature on the dates and in the principal amounts, and are subject to mandatory sinking fund redemption in the amounts and at the times set forth in the 2009A Official Statement, and (ii) the interest rate on the reoffered Series 2007B Bonds has been converted to the Fixed Rate Mode, and the reoffered Series 2007B Bonds bear interest at the rates, mature on the dates and in the principal amounts, and are subject to mandatory sinking fund redemption in the amounts and at the times set forth herein.

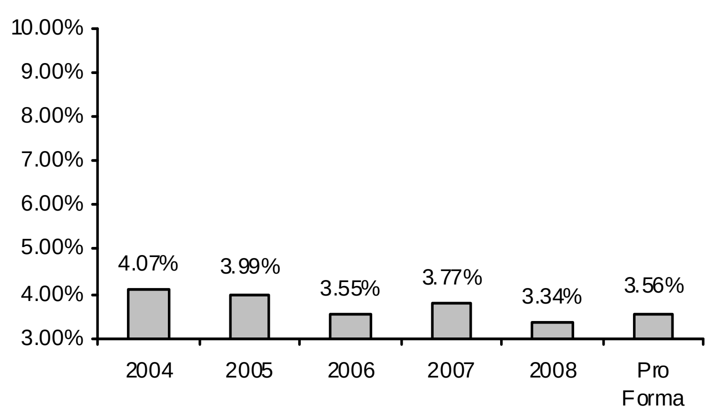
Five-Year Annual Total Revenue Growth Rate

The following table sets forth for each of Fiscal Years 2004 through 2008 the annual rate of increase in NYSARC's Total Revenue:



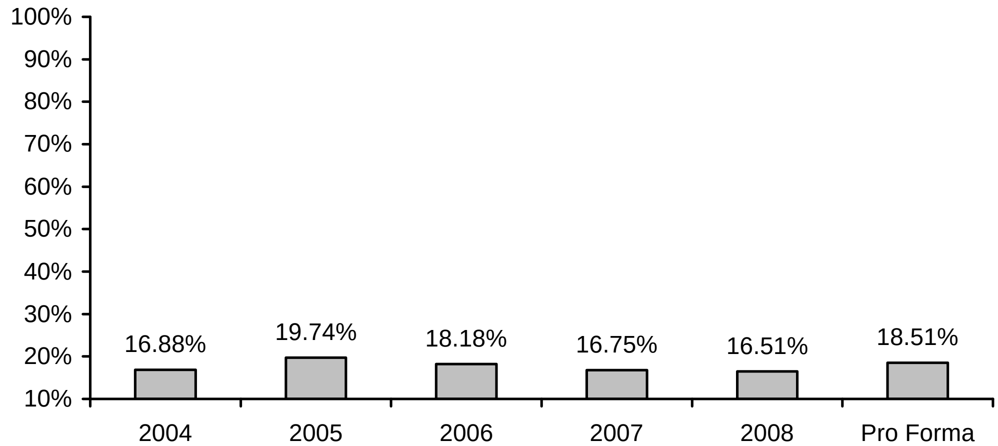
Long-Term Debt Service as a Percentage of Total Revenue

The following table sets forth for each of Fiscal Years 2004 through 2008 the ratio of NYSARC's actual Debt Service Charges paid on Long Term Debt during the respective Fiscal Year to NYSARC's Total Revenue for that Fiscal Year, and the ratio of NYSARC's pro forma Debt Service Charges payable on its Long Term Debt in Fiscal Year 2010 to NYSARC's Total Revenue for Fiscal Year 2008:



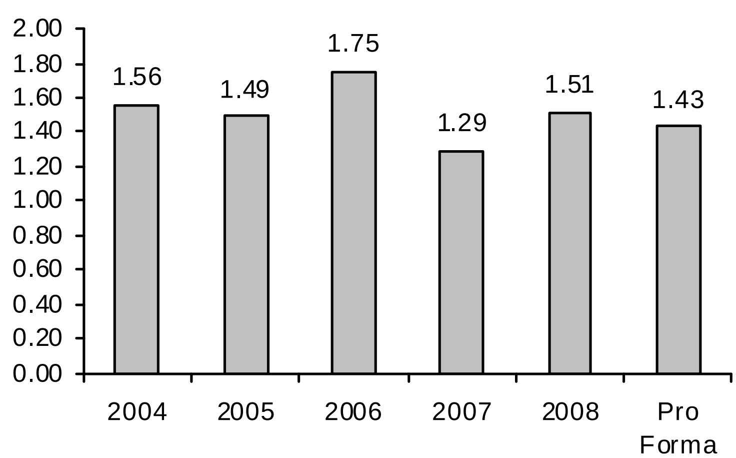
Long Term Debt as a Percentage of Total Revenue

The following table sets forth for each of Fiscal Years 2004 through 2008 the ratio of NYSARC's outstanding Long Term Debt as of December 31 of the respective Fiscal Year to NYSARC's Total for that Fiscal Year, and the ratio of NYSARC's pro forma Long-Term Debt to NYSARC's Total Revenue for Fiscal Year 2008:



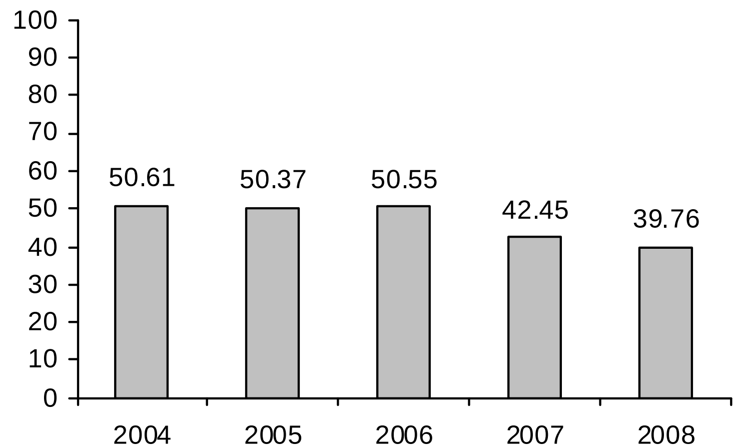
Debt Service Coverage Ratios

The following table sets forth for each of Fiscal Years 2004 through 2008 the ratio of NYSARC's Net Revenues Available for Debt for the respective Fiscal Year to NYSARC's actual Debt Service Charges paid on Long Term Debt during that Fiscal Year, and the ratio of NYSARC's Net Revenues Available for Debt Service for Fiscal Year 2008 to pro forma Debt Service Charges payable in Fiscal Year 2010:



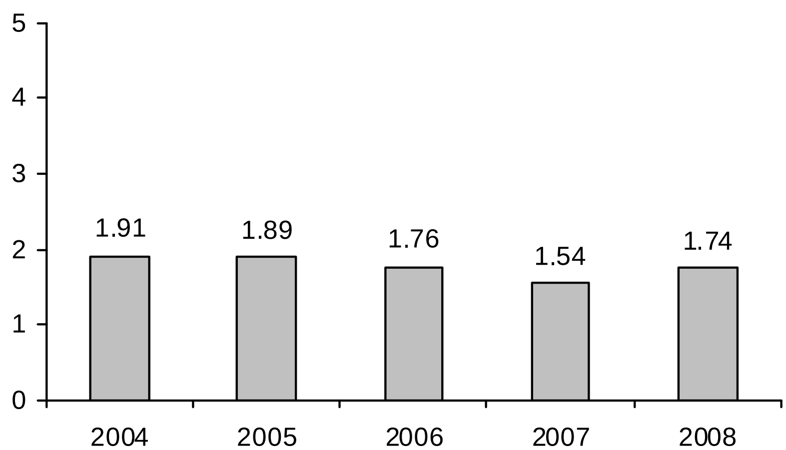
Primary Reserve Days available for Operations

The following table sets forth for each of Fiscal Years 2004 through 2008 the number of days of operations for which the balance of NYSARC's cash and investments as of December 31 of the indicated Fiscal Year could pay, assuming operations continued to be conducted at the then existing level and that the cost of operations would be, on average, approximately the same as during the Fiscal Year then ended:



Five-Year Current Ratio

The following table sets forth for each of Fiscal Years 2004 through 2008 the ratio of NYSARC's Current Assets to its Current Liabilities as of December 31 of the indicated Fiscal Year:



Management's Discussion

"Total Revenue" (as set forth above under "Summary Financial Information") continued to increase in 2008, a long-term annual trend that has continued for more than 30 years, although the rate of increase was less than in recent prior years. In addition to the economic slowdown faced by the nation and New York State, Fiscal Year 2007 was the first in several years without a

Medicaid retroactive trend adjustment. Costs of employee health plans increased more rapidly than trend or special HCE funding could absorb. The entry into operation of new residential and day services projects also resulted in higher costs than experienced with fully implemented programs. Importantly, there has been no regulatory change to the system of retroactive rate adjustments that allow us to recover program deficits; the several local chapters that sustained large deficits are eligible for rate adjustments that will be recovered in two or three years. The preliminary, unaudited financial results for 2008 exhibit continued revenue growth with a small increase in net assets, primarily as a result of expense controls implemented in response to the projected New York State budget deficit. In response to New York State's projected budget deficit, OMRDD suspended the initiation of almost all out-of-home residential program expansions during 2008. Many sites already in development are however being allowed to continue and will open during the remainder of 2009, and throughout 2010 and 2011.

Annual revenue increases will continue to decline as the service system adjusts to the constraints posed by New York State's budget deficit. NYSARC's current ratio has been adequate to meet current obligations for many years. If there is a strain on cash flow because of New York State-mandated payment lags or revenue reductions, NYSARC has sufficient short-term borrowing facilities in place to meet its working capital needs for regular operations and to support any combination or expansion opportunities that arise.

NYSARC is uniquely positioned to adapt to a temporarily flat revenue environment in New York State and thrive with the evolution of services provided. Because NYSARC is based on self-sufficient chapters operating throughout the entire State, NYSARC may benefit from at least two opportunities: (i) the possibility to absorb small, financially stressed service providers and (ii) the ability to combine business and support operations to achieve greater efficiencies without a reduction in services. Expense control will be critical in 2009, but NYSARC's performance in 2008 demonstrates its ability to adjust its operations rapidly.

PART 6 - PARTICIPATING CHAPTER AND PROJECT INFORMATION

The proceeds of the Series 2007B Bonds that were loaned to NYSARC pursuant to the Loan Agreement were used (i) to finance or refinance costs of acquiring and constructing the Westchester Project, (ii) to pay certain costs of issuance of the Series 2007B Bonds, and (iii) to fund the Debt Service Reserve Fund established for the Series 2007B Bonds in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2007B Bonds.

The proceeds of the Series 2007 Bonds were loaned to NYSARC pursuant to the Loan Agreement to finance costs of capital projects and to refinance certain existing debt of NYSARC and several of its chapters that had financed costs of such a project. The financed projects consist of individual capital projects for the chapters identified below and include costs of acquisition, construction, renovation, rehabilitation, repair, purchase, equipping, and/or otherwise providing of community residence facilities housing persons with intellectual and developmental disabilities or facilities for the training and support of such individuals throughout New York State. The proceeds of the Series 2007C Bonds were used to pay certain costs of issuing the Series 2007 Bonds that were not eligible to be paid from proceeds of the Series 2007A Bonds or the Series 2007B Bonds.

The chapters that received a portion of the proceeds of the Series 2007 Bonds are as follows (each, a "Participating Chapter"):

PARTICIPATING NYSARC, INC. LOCAL CHAPTERS

REVENUE FOR THE YEAR ENDED DECEMBER 31, 2007, PRELIMINARY REVENUE FOR THE YEAR ENDED DECEMBER 31, 2008, BUDGETED REVENUE FOR THE YEAR ENDING DECEMBER 31, 2009 AND STAFF AND PERSONS SERVED FOR THE YEAR ENDED DECEMBER 31, 2008

Chapter	2007 Revenue	2008 Preliminary Revenue	2009 Budgeted Revenue	2008 Total Staff	2008 Total Served
Chemung	$ 15,623,342	$ 17,690,464	$ 17,869,415	428	706
Essex	31,999,481	35,211,340	35,915,567	620	417
Herkimer	16,938,462	19,726,065	21,698,672	401	564
Monroe	35,853,381	36,297,190	37,781,758	823	3,600
Montgomery	54,126,824	54,867,327	55,964,674	854	3,937
Ontario	20,134,260	21,965,914	21,890,328	488	852
Otsego	17,689,186	19,487,718	19,036,002	297	448
Putnam	22,725,920	23,725,096	24,818,232	451	550
Saratoga	22,552,467	24,336,776	25,888,176	512	775
Schoharie	11,851,629	12,640,853	11,732,772	304	298
Steuben	17,066,439	17,655,111	17,817,649	381	1,556
Warren-Washington	13,972,322	13,717,094	13,637,700	285	300
Westchester	49,314,164	54,169,844	53,533,596	708	1,648
TOTAL	**$329,847,887**	**$351,490,792**	**$357,584,541**	**6,552**	**15,651**

"2007 Revenue" is based on the Final Annual Financial Report for Fiscal Year 2007. "2008 Preliminary Revenue" is based on unaudited financial statements submitted by each local chapter to the State Office that are subject to internal audit and review by the State Office and provide the basis for the State Office's preparation of its Preliminary Financial Statements for Fiscal Year 2008. Any adjustments of the preliminary amounts shown are not expected, based on long standing experience and ongoing procedures requiring monthly submission by local chapters of financial statements to the State Office, to vary by more than 2% from the amount shown. "2009 Budgeted Revenue" is based on chapter self-reports and may not include all effects of the State budget, which was approved after these budgets were developed. As noted in the prior discussion, OMRDD programs are responsible for almost all revenues. Because they are developed well before the New York State budget is passed, chapter budgets are based on the known rate and fee-setting methodologies and on conservative estimates of trend factors and other changes in funding that may occur.

"2008 Total Staff" is based on local chapter reports of the 2008 unduplicated count of full-time employees, part-time employees, including relief staff, and contracted employees at the time of the report during 2008. "2008 Total Served" is the unduplicated count of persons served with a developmental disability, with a disability other than a developmental disability, and without disability, who are largely served in Article 28 clinics and integrated school settings at the time the chapter reported the data during 2008.

NYSARC serves both disabled and non-disabled persons. In 2008, NYSARC served 47,196 persons with a disability and 7,851 persons without a disability.

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 June 30, 2009, the Authority had approximately $38.6 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 June 30, 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	5,146,033,149	0	5,146,033,149
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	2,419,101,208	1,894,490,000	0	1,894,490,000
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	3,538,100,000	0	3,538,100,000
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	985,555,000	781,415,000	0	781,415,000
Totals Public Programs	$ 46,346,138,036	$ 20,791,045,866	$ 0	$ 20,791,045,866

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$ 17,477,266,020	$ 8,830,846,644	$ 35,975,000	$ 8,866,821,644
Voluntary Non-Profit Hospitals	13,541,719,309	7,933,610,000	0	7,933,610,000
Facilities for the Aged	1,996,020,000	966,245,000	0	966,245,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 33,110,005,329	$ 17,730,701,644	$ 35,975,000	$ 17,766,676,644
Grand Totals Bonds and Notes	$ 79,456,143,365	$ 38,521,747,510	$ 35,975,000	$ 38,557,722,510

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2009, the Agency had approximately $361.5 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 June 30, 2009 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**
Mental Health Services Improvement Facilities..............	$ 3,817,230,725	$ 0

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program.........	$ 226,230,000	$ 3,255,000
Insured Mortgage Programs	6,625,079,927	350,549,720
Revenue Bonds, Secured Loan and Other Programs........	2,414,240,000	7,670,000
Total Non-Public Programs...	$ 9,265,549,927	$ 361,474,720
Total MCFFA Outstanding Debt................................	$ 13,082,780,652	$ 361,474,720

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. Romski 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. Romski 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. Romski 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. Romski 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 has obtained the approval of the PACB for the issuance of the Series 2007A 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 SERIES 2007B BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2007B 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 property and legally invest funds in their control.

The Series 2007B 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 Series 2007B Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2007B Resolution and the Series 2007B Bonds.

PART 10 - TAX MATTERS

On January 30, 2007, Hiscock & Barclay, LLP, delivered its opinion, a copy of which is attached as Appendix E-1, stating that, under existing law and assuming compliance by the Authority and NYSARC with certain covenants and the accuracy and completeness of certain representations of the Authority and NYSARC, interest on the Series 2007B Bonds would be excludable from gross income for federal income tax purposes and would not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations, but that however, interest on the Series 2007B Bonds would be taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations and that corporate purchasers of the Series 2007B Bonds should contact their tax advisers concerning the computation of any alternative minimum tax.

The original Bond Counsel opinion speaks only as of its date. Bond Counsel has not been requested to conduct, and has not conducted, any investigation since that date as to the tax status of the Series 2007B Bonds under federal income tax laws. The conversion of the Series 2007B Bonds to the Fixed Rate Mode will be subject to the delivery by Bond Counsel of an Opinion of Bond Counsel on the Conversion Date, in the form attached as Appendix E-2, to the effect the conversion of the Series 2007B Bonds to the Fixed Rate Mode in the manner and under the circumstances contemplated by this Remarketing Circular will not cause interest on the Series 2007B Bonds to be includible in the gross income of the owners of the Series 2007B Bonds for purposes of federal income taxation.

The Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), imposes various requirements that must be met in order that interest on the Series 2007B Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2007B Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Series 2007B Bonds to be includable in gross income for purposes of federal income tax retroactive to the date of original execution and delivery of the Series 2007B Bonds, regardless of the date on which the event causing such inclusion occurs. The Authority and NYSARC have covenanted in the Resolution, the Loan Agreement and the Tax Compliance Certificate to comply with the requirements of the Code and have made representations in such documents addressing various matters relating to the requirements of the Code. The 2007 opinion of Bond Counsel assumes continuing compliance with such covenants as well as the accuracy of such representations made by the Authority and NYSARC.

Certain requirements and procedures contained or referred to in the Resolution, the Loan Agreement, the Tax Compliance Certificate and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. The opinion of Hiscock & Barclay, LLP states that such firm, as Bond Counsel, expresses no opinion as to any Series 2007B Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of Bond Counsel other than Hiscock & Barclay, LLP.

Prospective purchasers of the Series 2007B Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2007B Bonds may have collateral federal income tax consequences for certain taxpayers, including financial corporations, insurance companies, Subchapter S corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2007B Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. Interest on the Series 2007B Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owners taxpayer identification number) in the manner required by the Internal Revenue Service, or (ii) has been identified by the Internal Revenue Service as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the Internal Revenue Service as federal income tax withheld on behalf of the registered owner of the Series 2007B Bonds and would be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2007B Bonds, if other than the registered owner).

In the opinion of Bond Counsel, interest on the Series 2007B Bonds is exempt, under existing statutes, from personal income taxes of the State of New York and its political subdivisions, as applicable. *See* "Appendix E-1 - Copy of Approving Opinion of Bond Counsel Delivered upon the Original Issuance of the Series 2007B Bonds."

Bond Counsel's engagement with respect to the Series 2007B Bonds ended with the issuance of the Series 2007B Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Bondholders regarding the tax-exempt status of the Series 2007B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2007B Bonds, and may cause Authority, NYSARC or the Bondholders to incur significant expense.

PART 11 - STATE NOT LIABLE ON THE SERIES 2007B BONDS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes or bonds are not payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2007B Bonds are not a debt of the State and that the State is not liable on them.

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 incidental to the authorization and issuance of the Series 2007B Bonds by the Authority were subject to the approval of Hiscock & Barclay, LLP, Albany, New York, Bond Counsel, whose approving opinion was delivered with the Series 2007B Bonds on January 30, 2007. A copy of Bond Counsel's approving opinion is set forth in Appendix E hereto.

On the Conversion Date, Bond Counsel will provide an opinion in the form attached hereto as Appendix E-2. Certain legal matters will be passed upon for NYSARC by its counsel, Bryan Cave LLP, New York, New York, and for the Remarketing Agent by its counsel, Squire, Sanders & Dempsey L.L.P., Cleveland, Ohio.

There is not now pending any litigation restraining or enjoining the remarketing of the Series 2007B Bonds or questioning or affecting the validity of the Series 2007B Bonds or the proceedings and authority under which they were to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Resolution, the Series 2007B Resolution and the Loan Agreement.

PART 14 - CONTINUING DISCLOSURE

In order to assist the Remarketing Agent in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), NYSARC has undertaken in a written agreement for the benefit of the Bondholders (the "Agreement to Provide Continuing Disclosure") to provide to Digital Assurance Certification LLC ("DAC") on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 150 days after the end of each of its fiscal years, commencing December 31, 2009, for filing by DAC with 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, operating data and financial information of the type hereinafter described which is included in "PART 5 - NYSARC" and "PART 6 - PARTICIPATING CHAPTER AND PROJECT INFORMATION" of this Reoffering Statement (the "Annual Information"), together with, if prepared, NYSARC's annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available. Audited financial statements of NYSARC have not previously been prepared and are not expected to be prepared. Rather, NYSARC expects to continue to prepare and provide combined financial statement compilations of the type included in Appendix B to his Reoffering Statement based on the audited financial statements of the chapters, affiliates and central office. Those compilations will be filed as part of the Annual Information. As of July 1, 2009, the only Repository designated by the Securities and Exchange Commission is the Municipal Securities Rulemaking Board ("MSRB").

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from NYSARC, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for NYSARC and the Authority, to file such information and financial statements, as promptly as practicable, but no later than three Business Days after receipt of the information by DAC from NYSARC, with the MSRB and the State Information Depository. NYSARC has undertaken in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC should they have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Authority, DAC will file the Notices with the MSRB and the State Information Depository, in a timely manner. With respect to the Series 2007B Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent NYSARC has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by NYSARC, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, NYSARC, the Holders of the Series 2007B Bonds or any other party. DAC has no responsibility for the Authority's failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether NYSARC, the Trustee or the Authority has complied with the Continuing Disclosure Agreement, and DAC may conclusively rely upon certifications of NYSARC, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of operating data and financial information of the type included in this Reoffering Statement in "PART 5 - NYSARC" under the following headings (unless and except to the extent that such information is included in audited financial statements prepared and filed by NYSARC at or before the time that any other Annual Information is required to be provided): (i) "Revenues," (ii) "New York State Office of Mental Retardation and Developmental Disabilities," (iii) "Financial Matters," (iv) "Management's Discussion," and (v) the table set forth under "PART 5 - PARTICIPATING CHAPTER AND PROJECT INFORMATION."

The Notices include notices of any of the following events (each, a "Notice Event") with respect to the Series 2007B Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2007B Bonds;

(7) modifications to the rights of holders of the Series 2007B Bonds; (8) bond calls (other than pursuant to mandatory sinking fund redemption requirements); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2007B Bonds; and (11) rating changes. In addition, DAC will undertake, for the benefit of the Holders of the Series 2007B Bonds, to provide to the MSRB and the State Information Depository in a timely manner, notice of any failure by NYSARC to provide the Annual Information and audited financial statements by the date required in NYSARC's undertaking described above.

The sole and exclusive remedy for breach or default under the agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, NYSARC and/or the Authority, and no person, including any Holder of the Series 2007B Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the agreement shall not constitute an Event of Default under the Resolution, the Series 2007 Resolutions or the Loan Agreement. 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 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 foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is 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 or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the agreement do not anticipate that it often will be necessary to amend the informational undertaking. The agreement, however, may be amended or modified without Bondholders consent under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2007B Bonds will be on file at the principal office of the Authority.

PART 15 - REOFFERING

KeyBanc Capital Markets Inc. (the "Remarketing Agent") has agreed, subject to certain conditions, to purchase the Series 2007B Bonds from tendering holders at a purchase price equal to the par amount of the Series 2007B Bonds and to make a public offering of the Series 2007B Bonds to be reoffered for delivery on the Conversion Date at prices that are not in excess of the public offering prices stated on the inside front cover of this Reoffering Statement. The net reoffering premium with respect to the reoffered Series 2007B Bonds is $109,252.15, including $69,755.00 that will be retained by the Remarketing Agent as its fee in connection with the remarketing of the reoffered Series 2007B Bonds; the balance of the reoffering premium ($39,497.15) will be deposited with the Trustee to provide for the payment of certain costs associated with the reoffering. The Remarketing Agent will be obligated to purchase all of the reoffered Series 2007B Bonds if any are purchased.

The reoffered Series 2007B Bonds may be offered and sold to certain dealers (including the Remarketing Agent) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Remarketing Agent.

PART 16 - RATING

The Series 2007B Bonds are expected to be rated "A" by Standard & Poor's. The rating on the Series 2007B Bonds will be based upon the obligation of NYSARC under the Loan Agreement to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by NYSARC to the Authority under the Loan Agreement. An explanation of the significance of the rating should be obtained from Standard & Poor's. There is no assurance that the rating will prevail for any given period of time or that it will not be changed or withdrawn by Standard & Poor's if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2007B Bonds.

PART 17 - MISCELLANEOUS

Reference in this Reoffering Statement to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy do not purport to be complete. Refer to the Act, the Resolution, the Series 2007B Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy for full and complete details of their provisions. Copies of the Resolution, the Series 2007B Resolution, the Loan Agreement and the Financial Guaranty Insurance Policy are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2007B Bonds are fully set forth in the Resolution and the Series 2007B Resolution. Neither any advertisement of the Series 2007B Bonds nor this Reoffering Statement is to be construed as a contract with purchasers of the Series 2007B Bonds.

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

The information regarding NYSARC, the Participating Chapters and the Project was supplied by NYSARC. The Authority believes that this information is reliable, but the Authority and the Remarketing Agent make no representations or warranties whatsoever as to the accuracy or completeness of this information.

The information regarding DTC and DTC's book-entry only system has been furnished by DTC. The Authority believes that this information is reliable, but makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

The information regarding Ambac Assurance and the specimen Financial Guaranty Insurance Policy in Appendix F was furnished by Ambac Assurance. No representation is made, herein by the Authority, NYSARC or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information. Neither the Authority, NYSARC, nor the Remarketing Agent has made any independent investigation of Ambac Assurance or its Financial Guaranty Insurance Policy.

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution," "Appendix E-1 - Copy of Approving Opinion of Bond Counsel Delivered upon Original

Issuance of the Series 2007B Bonds" and "Appendix E-2 - Form of No Adverse Effect Opinion of Bond Counsel" have been prepared by Hiscock & Barclay, LLP, Albany, New York, Bond Counsel.

"Appendix B - NYSARC, Inc. Combined Financial Statements as of December 31, 2008 Together with Accountants' Compilation Report (Unaudited)" contains NYSARC's unaudited combined financial statements and the compilation report of NYSARC's independent auditors, Bonadio & Co., LLP, concerning such financial statements.

"Appendix B-1 - Certain NYSARC, Inc. Combined Financial Statements as of and for the year ended December 31, 2008 (Preliminary and Unaudited)" contains NYSARC's unaudited Combined Statement of Financial Position and the Combined Statement of Activities as prepared by NYSARC.

"Appendix B-2 - Certain NYSARC, Inc. Combined Financial Statements as of and for the three-month periods ended March 31, 2008 and March 31, 2009 (Preliminary and Unaudited)" contains NYSARC's unaudited Combined Statement of Financial Position and the Combined Statement of Activities as prepared by NYSARC.

NYSARC has reviewed the parts of this Reoffering Statement describing NYSARC, the Participating Chapters, the Project, the Estimated Sources and Uses of Funds, and Appendices B, B-1 and B-2. It is a condition to the remarketing of the Series 2007B Bonds that NYSARC certify as of the Conversion Date that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

NYSARC has agreed to indemnify the Authority and the Remarketing Agent and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact as described in the preceding paragraph.

The execution and delivery of this Reoffering Statement 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

CERTAIN DEFINITIONS

NYSARC, INC.,
COMBINED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2007
TOGETHER WITH ACCOUNTANTS' COMPILATION REORT
(UNAUDITED)

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CERTAIN NYSARC, INC.
COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008
(PRELIMINARY AND UNAUDITED)

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NYSARC, Inc., State Office, Chapters and Their Affiliates
Combined Statement of Financial Position as of December 31, 2008
(Preliminary and Unaudited)

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 90,622,298
Investments	82,799,334
Restricted deposits and funded reserves	3,224,926
Due from affiliates	8,980,171
Government receivables	253,324,608
Other receivables	14,804,063
Inventories	11,654,905
Due from Chapters	256,184
Prepaid expenses and other assets	11,292,454
Deposits	1,470,001
Total Current Assets	478,428,944
NETPROPERTY, PLANT AND EQUIPMENT	430,557,897
OTHER ASSETS	
Restricted deposits and funded reserves	12,890,378
Due from related parties	9,004,244
Deferred charges	6,022,201
Participant funds	2,657,959
Financing fees	8,296,719
Other	12,114,606
Total Other Assets	50,986,108
TOTAL ASSETS	$959,972,949
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Current installments of long-term debt	$ 21,692,255
Accounts Payable	36,081,458
Accrued expenses and taxes	146,423,080
Due to governmental agencies	14,313,266
Notes payable	35,176,514
Deferred revenue and refundable advances	6,733,602
Due to affiliates	3,268,362
Other current liabilities	7,498,882
Total Current Liabilities	271,187,420
LONG-TERM DEBT, NET OF CURRENT INSTALLMENTS	279,787,508
OTHER LIABILITIES	
Due to governmental agencies	2,610,604
Deferred revenue and refundable advances	16,660,600
Due to affiliates	1,788,229
Participant funds	3,267,757
Other	6,105,270
Total Other Liabilities	30,432,460
Total Liabilities	
NET ASSETS	
Unrestricted	370,409,458
Temporarily Restricted	7,123,156
Permanently Restricted	1,032,946
Total net assets	378,565,560
TOTAL LIABILITIES AND NET ASSETS	$959,972,949

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NYSARC, Inc., State Office, Chapters and Their Affiliates
Combined Statement of Activities and Change in Net Assets
for the Year Ended December 31, 2008 (Preliminary and Unaudited)

UNRESTRICTED NET ASSETS	
Support and Revenue	
Program revenue	$ 1,630,282,177
Nonprogram revenue	6,455,825
Fundraising	1,084,897
Other support	339,829
Capital additions	491,856
Net assets released from restrictions	0
Total Support and Revenue	1,638,654,584
Expenses	
Program services	1,545,241,626
Management and general	77,669,495
Fundraising	1,965,667
Other	1,590,936
Total Expenses	1,626,467,724
Change in Unrestricted Net Assets	12,186,861
TEMPORARILY RESTRICTED NET ASSETS	
Contributions, grants, etc.	0
Interest income	258,744
Other changes and additions	-115,796
Net assets released from restrictions	0
Change in Temporarily Restricted Net Assets	142,948
PERMANENTLY RESTRICTED NET ASSETS	
Contributions	0
Other changes and additions	0
Change in Permanently Restricted Net Assets	0
Total Change in Net Assets	12,329,809
Net Assets, Beginning of Year	366,235,752
Net Assets, End of Year	$ 378,565,560

CERTAIN NYSARC, INC.
COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE-MONTH PERIODS
ENDED MARCH 31, 2008 AND MARCH 31, 2009
(PRELIMINARY AND UNAUDITED)

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NYSARC, Inc., State Office, Chapters and Their Affiliates
Combined Statements of Financial Position as of
March 31, 2008 and March 31, 2009 (Preliminary and Unaudited)

	March 31, 2008	March 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 92,794,039	$103,248,237
Investments	88,279,233	82,391,598
Restricted deposits and funded reserves	4,988,568	3,130,182
Due from affiliates	6,278,467	9,884,334
Government receivables	253,558,573	249,779,962
Other receivables	15,102,611	12,527,600
Inventories	11,576,371	11,309,158
Due from Chapters		
Prepaid expenses and other assets	23,085,956	18,401,633
Deposits	665,963	1,500,453
Total Current Assets	$496,329,781	$492,173,157
NET PROPERTY, PLANT AND EQUIPMENT	$398,895,143	$430,580,109
OTHER ASSETS		
Restricted deposits and funded reserves	$ 15,830,159	$ 11,067,048
Due from related parties	7,660,976	8,245,728
Deferred charges	6,309,273	6,057,427
Participant funds	2,886,426	2,592,231
Financing fees	8,395,719	8,540,627
Other	11,797,223	17,070,160
Total Other Assets	$ 52,879,776	$ 53,573,221
TOTAL ASSETS	$948,104,700	$976,326,487
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current installments of long-term debt	$ 17,998,554	$ 20,595,778
Accounts Payable	45,679,185	31,674,763
Accrued expenses and taxes	127,442,225	155,210,316
Due to governmental agencies	17,703,677	14,110,000
Notes payable	44,834,133	41,914,702
Deferred revenue and refundable advances	10,767,208	6,881,040
Due to affiliates	2,698,343	5,010,914
Other current liabilities	7,385,467	6,781,905
Total Current Liabilities	$274,508,792	$282,179,418
LONG-TERM DEBT, NET OF CURRENT INSTALLMENTS	$276,740,047	$279,313,932
OTHER LIABILITIES		
Due to governmental agencies	$ 2,154,000	$ 2,761,169
Deferred revenue and refundable advances	16,405,543	15,263,385
Due to affiliates	2,104,873	1,526,314
Participant funds	3,523,461	3,296,176
Other	5,058,621	6,387,504
Total Other Liabilities	$ 29,246,498	$ 29,234,548
Total Liabilities		
NET ASSETS		
Unrestricted	$361,414,746	$376,234,146
Temporarily Restricted	4,888,672	7,970,259
Permanently Restricted	1,305,945	1,394,184
Total net assets	$367,609,363	$385,598,589
TOTAL LIABILITIES AND NET ASSETS	$948,104,700	$976,326,487

NYSARC, Inc., State Office, Chapters and Their Affiliates
Combined Statements of Activities and Changes in Net Assets for the Three-Month Periods Ended March 31, 2008 and March 31, 2009 (Preliminary and Unaudited)

	March 31, 2008	March 31, 2009
UNRESTRICTED NET ASSETS		
Support and Revenue		
Program revenue	$502,973,919	$517,107,615
Nonprogram revenue	3,414,156	3,399,267
Fundraising	226,488	227,212
Other support	54,095	94,784
Capital additions	106,877	55,329
Net assets released from restrictions	0	0
Total Support and Revenue	$506,775,535	$520,884,207
Expenses		
Program services	$474,948,760	$480,437,277
Management and general	29,383,207	30,500,583
Fundraising	819,741	820,739
Other	14,800	132,390
Total Expenses	$505,166,508	$511,890,989
Change in Unrestricted Net Assets	$ 1,609,027	$ 8,993,218
TEMPORARILY RESTRICTED NET ASSETS		
Contributions, grants, etc.	$ 0	$ 0
Interest income	231,920	161,454
Other changes and additions	(2,182)	14,449
Net assets released from restrictions	0	0
Change in Temporarily Restricted Net Assets	$ 229,738	$ 175,903
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	$ 0	$ 0
Other changes and additions	0	0
Change in Permanently Restricted Net Assets	$ 0	$ 0
Total Change in Net Assets	$ 1,838,765	$ 9,169,121
Net Assets, Beginning of Period	$365,770,598	$376,429,468
Net Assets, End of Period	$367,609,363	$385,598,589

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

COPY OF APPROVING OPINION OF BOND COUNSEL DELIVERED UPON ORIGINAL ISSUANCE OF THE SERIES 2007B BONDS

FORM OF NO ADVERSE EFFECT OPINION OF BOND COUNSEL

COPY OF FINANCIAL GUARANTY INSURANCE POLICY