NEW ISSUE

Moody's: Aa2
See "Rating" herein.

DASNY

DAC Bond

$34,500,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYSARC, INC. REVENUE BONDS, SERIES 2017
Consisting of:

$32,970,000	**$1,530,000**
NYSARC, Inc.	**NYSARC, Inc.**
Revenue Bonds	**Revenue Bonds**
Series 2017A	**Series 2017B**
	(Taxable)

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

Payment and Security: The NYSARC, Inc. Revenue Bonds, Series 2017A (the "Series 2017A Bonds") and the NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable) (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY") secured by a pledge of (i) certain payments to be made under the Loan Agreement dated as of January 11, 2017 (the "Loan Agreement") between NYSARC, Inc. ("NYSARC") and DASNY and (ii) certain funds and accounts authorized under DASNY's NYSARC, Inc. Revenue Bond Resolution adopted on March 25, 2009 (the "Resolution") and established under DASNY's Series Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2017A (the "Series 2017A Resolution") and DASNY's Series Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable) (the "Series 2017B Resolution" and, together with the Series 2017A Resolution, the "Series 2017 Resolutions"), each adopted January 11, 2017.

The Loan Agreement is a general obligation of NYSARC and requires NYSARC to pay amounts sufficient to pay the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2017 Bonds, as such payments become due. The obligation of NYSARC under the Loan Agreement to make such payments will be secured by NYSARC's pledge of certain revenues. At the time of delivery of the Series 2017 Bonds, a portion of the proceeds of the Series 2017 Bonds will be deposited in the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement.

The Series 2017 Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. DASNY has no taxing power.

Description: The Series 2017 Bonds will bear interest (payable July 1, 2017 and each January 1 and July 1 thereafter) at the rates and will mature on the dates shown on the inside front cover. The Series 2017 Bonds will be issued as fully registered bonds in denominations 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"). Individual purchases of beneficial interests in the Series 2017 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2017 Bonds, payments of the principal and Redemption Price of and interest on the Series 2017 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement to beneficial owners is the responsibility of DTC participants. See "PART 3 – THE SERIES 2017 BONDS – Book-Entry Only System" herein. The Bank of New York Mellon, New York, New York will be the Trustee for the Series 2017 Bonds.

Redemption and Purchase: The Series 2017 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Barclay Damon, LLP, as Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations by DASNY and NYSARC, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Code. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Barclay Damon, LLP, as Co-Bond Counsel, is further of the opinion that interest on the Series 2017A Bonds and the Series 2017B Bonds is exempt under existing laws from personal income taxes imposed by New York State or any political subdivision thereof (including the City of New York and the City of Yonkers). IN THE OPINION OF BARCLAY DAMON, LLP, AS CO-BOND COUNSEL, INTEREST ON THE SERIES 2017B BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE CODE. See "PART 11 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2017 Bonds are offered when, as and if issued. The offer of the Series 2017 Bonds may be subject to prior sale, withdrawal or modification at any time without notice. The offer is subject to the approval of legality by Barclay Damon, LLP, Albany, New York and Marous Law Group, P.C., New York, New York, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for NYSARC by its counsel, Cullen & Dykman, LLP, Albany, New York, and for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. NYSARC has been advised of certain matters by its financial advisor, Municipal Capital Markets Group, Inc., Dallas, Texas. DASNY expects to deliver the Series 2017 Bonds in definitive form in Albany, New York on or about February 15, 2017.

RAYMOND JAMES®

January 25, 2017

$32,970,000
NYSARC, Inc. Revenue Bonds, Series 2017A

Due July 1	Amount	Interest Rate	Yield	CUSIP Number[1]
2017	$1,450,000	2.000%	0.740%	64990CNA5
2018	3,280,000	4.000	1.200	64990CNB3
2019	3,230,000	5.000	1.450	64990CNC1
2020	3,190,000	5.000	1.620	64990CND9
2021	3,085,000	5.000	1.810	64990CNE7
2022	2,335,000	3.000	2.010	64990CNF4
2023	1,645,000	5.000	2.200	64990CNG2
2024	1,240,000	5.000	2.360	64990CNH0
2025	1,130,000	5.000	2.500	64990CNJ6
2026	1,135,000	5.000	2.640	64990CNK3
2027	1,145,000	5.000	2.770	64990CNL1

$5,485,000 3.500% Term Bond Due July 1, 2032, Yield 3.640% CUSIP Number 64990CNR8[1]

$3,810,000 3.750% Term Bond Due July 1, 2037, Yield 3.900% CUSIP Number 64990CPB1[1]

$810,000 3.875% Term Bond Due July 1, 2041, Yield 3.970% CUSIP Number 64990CPC9[1]

$1,530,000
NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable)

$425,000 2.550% Term Bond Due July 1, 2022, Yield 2.550% CUSIP Number 64990CPD7[1]

$400,000 3.500% Term Bond Due July 1, 2027, Yield 3.500% CUSIP Number 64990CPE5[1]

$400,000 4.000% Term Bond Due July 1, 2032, Yield 4.000% CUSIP Number 64990CPF2[1]

$305,000 4.100% Term Bond Due July 1, 2036, Yield 4.100% CUSIP Number 64990CPA3[1]

[1]CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2017 Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2017 Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2017 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 2017 Bonds.

No dealer, broker, salesperson or other person has been authorized by DASNY, NYSARC or the Underwriter to give any information or to make any representations with respect to the Series 2017 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, NYSARC or the Underwriter.

This Official 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 2017 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 Official Statement has been supplied by NYSARC and other sources that DASNY believes are reliable. DASNY does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY.

NYSARC has reviewed the portions of this Official Statement describing NYSARC, the Participating Chapters, the Project, the Refunding Plan, the Estimated Sources and Uses of Funds, and Appendices B, B-1 and B-2. It is a condition to the sale and delivery of the Series 2017 Bonds that NYSARC certify that, as of each such date, such parts do not contain any untrue statement 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 Official Statement.

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

References in this Official Statement to the Act, the Resolution, the Series 2017 Resolutions and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2017 Resolutions and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2017 Resolutions and the Loan Agreement are on file with DASNY and the Trustee.

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

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY or NYSARC have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 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
GERRARD P. BUSHELL – PRESIDENT | ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT
RELATING TO THE

$34,500,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYSARC, INC. REVENUE BONDS, SERIES 2017

Consisting of:

$32,970,000	**$1,530,000**
NYSARC, Inc.	**NYSARC, Inc.**
Revenue Bonds	**Revenue Bonds**
Series 2017A	**Series 2017B**
	(Taxable)

PART 1 – INTRODUCTION

Introductory Statement

The descriptions and summaries in this Official 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 Official Statement is intended only to provide a brief description of certain provisions of the Official Statement and is expressly qualified by reference to the Official Statement as a whole, as well as the documents described or summarized herein. All references to this Official Statement include the cover page, the inside front cover page and appendices, and each capitalized word or term used in this Official 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 Official Statement noted below.

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside front cover page and appendices, is to provide information about DASNY and NYSARC in connection with the issuance by DASNY of $32,970,000 principal amount of its NYSARC, Inc. Revenue Bonds, Series 2017A (the "Series 2017A Bonds") and $1,530,000 principal amount of its NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable) (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds").

The following is a brief description of certain information concerning the Series 2017 Bonds, DASNY and NYSARC. A more complete description of such information and additional information that may affect decisions to invest in the Series 2017 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2017A Bonds are being issued (i) to pay a portion of the costs of the Project, (ii) to refund a portion of DASNY's outstanding NYSARC, Inc. Insured Revenue Bonds, Series 2007B (the "2007B Bonds") and NYSARC, Inc. Revenue Bonds, Series 2009A (the "2009A Bonds" and, together with the 2007B Bonds, the "Refunded Bonds"), (iii) to pay certain costs of issuance of the Series 2017A Bonds, and (iv) to fund a Series 2017A Debt Service Reserve Fund (the "Series 2017A Debt Service Reserve Fund") in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2017A Bonds (the "Series 2017A Debt Service Fund Requirement"). The Series 2017B Bonds are being issued (i) to pay a portion of the costs of the Project, (ii) to pay certain costs of issuance of the Series 2017 Bonds, and (iii) to fund a Series 2017B Debt Service Reserve Fund (the "Series 2017B Debt Service Reserve Fund" and, together with the Series 2017A Debt Service Reserve Fund, the "Debt Service Reserve Fund") in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2017B Bonds (the "Series 2017B Debt Service Fund Requirement" and, together with the Series 2017A Debt Service Fund Requirement, the "Debt Service Fund Requirement"). *See* "PART 5 – PARTICIPATING CHAPTER AND PROJECT INFORMATION," "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS" and "PART 7 – THE REFUNDING PLAN."

Authorization of Issuance

The Resolution authorizes the issuance of multiple Series of Bonds pursuant to separate Series Resolutions for the benefit of NYSARC. The Series 2017 Bonds will be issued pursuant to the Act, the Resolution and the applicable Series 2017 Resolution. The Resolution also authorizes the issuance of additional Series of Bonds for the benefit of NYSARC. *See* "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS" and "PART 3 – THE SERIES 2017 BONDS."

DASNY

DASNY 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 8 – DASNY."

NYSARC

NYSARC is a not-for-profit corporation organized under the laws of the State and provides a variety of services for the developmentally disabled. The headquarters of NYSARC is in Latham, New York. *See* "PART 4 – NYSARC," and "Appendix B – NYSARC, Inc. Chapters and Their Affiliates Combined Financial Statements as of and for the year ended December 31, 2015 Together with Accountants' Compilation Report," and "Appendix B-1 NYSARC, Inc. Chapters and their Affiliates Combining Statement of Financial Position for the Nine Months Ending September 30, 2016 (Preliminary and Unaudited)."

The Series 2017 Bonds

The Series 2017 Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2017, and on each January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the inside front cover page of this Official Statement. *See* "PART 3 – THE SERIES 2017 BONDS – Description of the Series 2017 Bonds."

Payment of the Series 2017 Bonds

The Series 2017 Bonds will be special obligations of DASNY payable solely from the Revenues, which consist of payments NYSARC is obligated to make under the Loan Agreement to provide for the payment of the Debt Service Charges (as defined herein) on the Series 2017 Bonds and to maintain the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement. The Loan Agreement is a general obligation of NYSARC. Pursuant to the Resolution and the Series 2017 Resolutions, the Revenues and DASNY's right to receive the Revenues have been pledged and assigned by DASNY to the Trustee. *See* "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS."

Any Public Funds and other Pledged Revenues collected by NYSARC that are not required to be paid to the Trustee for Debt Service Charges on the Series 2017 Bonds or to make up any deficiencies in funds or accounts established pursuant to the Resolution or the Series 2017 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 the Debt Service Reserve Fund that has not been repaid by NYSARC as required by the Loan Agreement and the Resolution. Upon the occurrence and during the continuation of either event described in clause (a) or (b), and unless DASNY has agreed otherwise, DASNY will, in addition to all other remedies available pursuant to the Loan Agreement, cause the Public Funds to be deducted, withheld or paid directly to DASNY or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement. *See* "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS – Payment of the Series 2017 Bonds - *Standby Intercept*." *See also,* "Appendix C – Summary of Certain Provisions of the Loan Agreement."

Security for the Series 2017 Bonds

The Series 2017 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues under the Resolution and the Series 2017 Resolutions and NYSARC's grant to DASNY under the Loan Agreement, subject to Prior Pledges, of a security interest in the Pledged Revenues. The Series 2017A Bonds will also be secured by the proceeds from the sale of the Series 2017A Bonds until disbursed as provided by the Resolution and the Series 2017A Resolution, and certain funds and accounts authorized by the Resolution and established by the Series 2017A Resolution, including, in the case of the Series 2017A Bonds, the Series 2017A Debt Service Reserve Fund. The Arbitrage Rebate Fund is not pledged to secure the Series 2017A Bonds. The Series 2017B Bonds will also be secured by the proceeds from the sale of the Series 2017B Bonds until disbursed as provided by the Resolution and the Series 2017B Resolution, and certain funds and accounts authorized by the Resolution and established by the Series 2017B Resolution, including, in the case of the Series 2017B Bonds, the Series 2017B Debt Service Reserve Fund. The Series 2017A Bonds and the Series 2017B Bonds are not otherwise separately secured from each other and, accordingly, a default under the Loan Agreement may result in the default of either or both of the Series 2017A Bonds and the Series 2017B Bonds.

The Series 2017 Bonds are secured by the Loan Agreement and the security interest in Pledged Revenues granted by NYSARC to DASNY thereunder. The Series 2017 Bonds are separately secured from all other Series of Bonds. The holders of bonds issued by DASNY for the benefit of NYSARC, other than the Series 2017 Bonds, are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2017 Bonds; provided that, under certain circumstances, the Loan Agreement authorizes the incurrence of other indebtedness by NYSARC secured on a parity with the Series 2017 Bonds as to the security interest in Pledged Revenues granted thereunder by NYSARC to DASNY. *See* "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS – Security for the Series 2017 Bonds" and "Appendix C – Summary of Certain Provisions of the Loan Agreement – *Security Interest in Pledged Revenues.*"

The Series 2017 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

The Mortgages

NYSARC's obligations to DASNY under the Loan Agreement in connection with the Series 2017 Bonds will also be secured by certain mortgages on certain properties (the "Mortgages") and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. At present, the Trustee does not have any interest in the Mortgages, and the Mortgages do not provide any security for the Series 2017 Bonds. If a withdrawal is made from the Debt Service Reserve Fund and is not reimbursed within 30 days from the date of the withdrawal, DASNY is obligated to assign the Mortgages and those security interests to the Trustee. If the balance in the Debt Service Reserve Fund is restored to the Debt Service Reserve Fund Requirement, any Mortgage that has not been foreclosed is required to be reassigned to DASNY upon its request. Unless the Mortgages and security interests are assigned by DASNY to the Trustee, none of the Mortgages, the security interests in fixtures, furnishings and equipment, or any proceeds therefrom will be pledged to the Holders of the Series 2017 Bonds. Further, property subject to any Mortgage may be released and any Mortgage may be amended without the consent of the Trustee or the Holders of any Series 2017 Bonds.

No representation is made as to the nature or value of the property subject to the Mortgages or as to the validity or priority of the lien of the Mortgages upon the property to which they relate, and potential purchasers of the Series 2017 Bonds should not rely upon the Mortgages or that property as providing security for payment of Debt Service Charges on the Series 2017 Bonds. No appraisals of that property have been obtained and no mortgagee's policies of title insurance have been obtained with respect to any of the Mortgages.

PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2017 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 2017 Resolutions, and the Loan Agreement, copies of which are on file with DASNY 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 statement of the rights, duties and obligations of the parties thereto. All references to the Series 2017A Debt Service Fund and the Series 2017A Debt Service Reserve Fund refer to such funds established pursuant to the Series 2017A Resolution. All references to the Series 2017B Debt Service Fund and the Series 2017B Debt Service Reserve Fund refer to such funds established pursuant to the Series 2017B Resolution.

Payment of the Series 2017 Bonds

The Series 2017 Bonds will be special obligations of DASNY. The principal of and interest on (collectively, "Debt Service Charges") the Series 2017 Bonds will be payable solely from the Revenues. The Revenues consist of the payments required to be made by NYSARC under the Loan Agreement to provide for the payment of the Debt Service Charges on the Series 2017 Bonds and to maintain the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement. The Revenues and the right to receive them have been pledged and assigned by DASNY to the Trustee for the benefit of the Series 2017 Bondholders.

The Loan Agreement will be a general obligation of NYSARC and obligates NYSARC to make payments monthly by the 10th day of each month sufficient to provide for the timely payment of Debt Service Charges on Outstanding Series 2017 Bonds. Each monthly payment in respect of the interest component of the Debt Service Charges on the Series 2017 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 2017 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 2017 Bonds. The Loan Agreement also obligates NYSARC to pay, at least 45 days prior to the redemption date for Series 2017 Bonds called for redemption, the amount required to pay the Redemption Price of such Bonds. *See* "PART 3 – THE SERIES 2017 BONDS – Redemption and Purchase in Lieu of Redemption Provisions."

Standby Intercept

The Act authorizes NYSARC to pledge and assign all Public Funds to DASNY. NYSARC has assigned the Public Funds to DASNY to satisfy NYSARC's obligations under the Loan Agreement to provide for payment of Debt Service Charges on the Series 2017 Bonds. DASNY has waived its right to collect those amounts payable to DASNY, including the OPWDD 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 for Debt Service Charges on the Series 2017 Bonds or to make up any deficiencies in funds or accounts established pursuant to the Resolution or the Series 2017 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 the 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 pledged and assigned to DASNY 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 DASNY 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 DASNY has agreed otherwise, DASNY will, in addition to all other remedies available pursuant to the Loan Agreement, cause the Public Funds to be deducted, withheld or paid directly to DASNY or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement (the "Standby Intercept").

"Public Funds" consist of all moneys apportioned or otherwise payable to NYSARC, for the sole benefit of the State Office or on behalf of a Participating Chapter by the State, including by OPWDD (as defined herein), a political subdivision as defined in Section 100 of the General Municipal Law, or any social services district in the State.

Security for the Series 2017 Bonds

The Series 2017 Bonds are secured equally and ratably by DASNY's pledge and assignment to the Trustee of the Revenues, and NYSARC's grant to DASNY under the Loan Agreement, subject to the Prior Pledges, of a security interest in the Pledged Revenues, and the pledge and assignment of that security interest by DASNY to the Trustee under the Resolution and the applicable Series Resolution. The Series 2017A Bonds are also secured by any undisbursed proceeds from the sale of the Series 2017A Bonds until disbursed as provided in the Resolution and the Series 2017A Resolution and certain funds and accounts authorized by the Resolution and established by the Series 2017A Resolution including the Series 2017A Debt Service Reserve Fund, but excluding the Arbitrage Rebate Fund for the Series 2017A Bonds. The Series 2017B Bonds will also be secured by the proceeds from the sale of the Series 2017B Bonds until disbursed as provided by the Resolution and the Series 2017B Resolution, and certain funds and accounts authorized by the Resolution and established by the Series 2017B Resolution, including, in the case of the Series 2017B Bonds, the Series 2017B Debt Service Reserve Fund. The Series 2017A Bonds and the Series 2017B Bonds are not otherwise separately secured from each other and, accordingly, a default under the Loan Agreement may result in the default of either or both of the Series 2017A and the Series 2017B Bonds. Pursuant to the terms of the Resolution and the Series 2017 Resolutions, the Series 2017 Bonds are secured by the Loan Agreement and the security interest in Pledged Revenues granted by NYSARC to DASNY thereunder, which has been further pledged and assigned by DASNY to the Trustee. The holders of bonds issued by DASNY for the benefit of NYSARC, other than the Series 2017 Bonds, are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2017 Bonds; provided that, under certain circumstances, the Loan Agreement authorizes the incurrence of other indebtedness by NYSARC secured on a parity with the Series 2017 Bonds as to the security interest in Pledged Revenues granted thereunder by NYSARC to DASNY. *See* "Appendix C – Summary of Certain Provisions of the Loan Agreement – *Security Interest in Pledged Revenues*."

Pledged Revenues

The Series 2017 Bonds are secured, subject to the Prior Pledges, by the security interest in the Pledged Revenues granted by NYSARC to DASNY under the Loan Agreement. This security interest has been pledged and assigned by DASNY to the Trustee under the Resolution and the Series 2017 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 of the 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 2017 Resolutions, and the income thereon to the extent that income is so restricted as to use. *See* "Appendix B – NYSARC, Inc. Chapters and Their Affiliates Combined Financial Statements as of and for the Year Ended December 31, 2015 Together with Accountants' Compilation Report", and "Appendix B-1 –NYSARC, Inc. Chapters and Their Affiliates Combining Statement of Financial Position for the Nine Months Ending September 30, 2016 (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 2017 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*."

Series 2017A Debt Service Reserve Fund

The Resolution and the Series 2017A Resolution authorize and establish a Debt Service Reserve Fund with respect to the Series 2017A Bonds. The Series 2017A Debt Service Reserve Fund is to be held by the Trustee, to be applied solely for the purposes specified in the Resolution and the Series 2017A Resolution, and is pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017A Bonds.

The Series 2017A Debt Service Reserve Fund Requirement is the amount required to be on deposit in the Series 2017A Debt Service Reserve Fund, and will at all times be equal to the lesser of (i) 50% of Maximum Annual Debt Service (as defined below) on the Outstanding Series 2017A Bonds and (ii) 125% of Average Annual Debt Service (as defined below) on the Outstanding Series 2017A Bonds; provided, however, that in no event will the Series 2017A Debt Service Reserve Fund Requirement increase. Upon initial issuance of the Series 2017A Bonds, the Series 2017A Debt Service Reserve Fund Requirement will be $2,233,723.48. The Series 2017A Debt Service Reserve Fund Requirement will be recalculated not less often than annually and, if necessary, reduced. The Series 2017A Debt Service Reserve Fund Requirement will decline over the term of the Series 2017A Bonds as the Annual Debt Service (as defined below) declines.

For purposes of the Series 2017A Debt Service Reserve Fund Requirement,

> "Maximum Annual Debt Service" means the greatest Annual Debt Service amount for the then current and any future Bond Year.
>
> "Average Annual Debt Service" means the sum of the Annual Debt Service amounts for the then current and all future Bond Years, divided by the sum of one and the number of future Bond Years prior to the maturity of the Series 2017A Bonds.
>
> "Annual Debt Service" means, for any Bond Year, (i) the interest on the Outstanding Series 2017A Bonds payable (x) on January 1 of the Bond Year and (y) on the immediately following July 1 plus (ii) the principal and Sinking Fund Installments of the Series 2017A Bonds payable on the immediately following July 1.

Money in the Series 2017A Debt Service Reserve Fund is to be withdrawn and deposited to the Series 2017A Debt Service Fund whenever the amount on deposit in the Series 2017A Debt Service Fund on the fourth Business Day prior to an interest payment date (prior to any said withdrawal and deposit) is less than the amount needed to pay Debt Service Charges on Outstanding Series 2017A Bonds payable on such interest payment date. The Resolution and the Loan Agreement require NYSARC to restore the Series 2017A Debt Service Reserve Fund to the amount of the Series 2017A Debt Service Reserve Fund Requirement by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Money in the Series 2017A Debt Service Reserve Fund in excess of the Series 2017A Debt Service Reserve Fund Requirement will be permitted to be withdrawn and applied in accordance with the Resolution and the Series 2017A Resolution. *See* "Appendix D – Summary of Certain Provisions of the Resolution."

Series 2017B Debt Service Reserve Fund

The Resolution and the Series 2017B Resolution authorize and establish a Debt Service Reserve Fund with respect to the Series 2017B Bonds. The Series 2017B Debt Service Reserve Fund, if funded, is to be held by the Trustee, to be applied solely for the purposes specified in the Resolution and the Series 2017B Resolution, and is pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2017B Bonds.

The Series 2017B Debt Service Reserve Fund Requirement will be set at the amount (which may be zero), that, if aggregated with the initial Debt Service Reserve Fund Requirement for the Series 2017A Bonds, would equal one-half of maximum annual debt service in the then-current and any future calendar year on all the Series 2017 Bonds (excluding interest on the Series 2017 Bonds from the dated date of such Bonds to the July 1 or January 1 immediately preceding the first interest payment date), subject, however, to applicable limitations under federal tax law (as though the Series 2017B Bonds were tax-exempt). Upon initial issuance of the Series 2017B Bonds, the Series 2017B Debt Service Reserve Fund Requirement will be $151,308.99.

The amount of money, if any, in the Series 2017B Debt Service Reserve Fund is to be withdrawn and deposited to the Series 2017B Debt Service Fund whenever the amount on deposit in the Series 2017B Debt Service Fund on the fourth Business Day prior to an interest payment date (prior to any said withdrawal and deposit) is less than the amount needed to pay Debt Service Charges on Outstanding Series 2017B Bonds payable on such interest payment date. The Resolution and the Loan Agreement require NYSARC to restore the Series 2017B Debt Service Reserve Fund to the amount of the Series 2017B Debt Service Reserve Fund Requirement by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Money in the Series 2017B Debt Service Reserve Fund in excess of the Series 2017B Debt Service Reserve Fund Requirement will be permitted to be withdrawn and applied in accordance with the Resolution and the Series 2017B Resolution. *See* "Appendix D – Summary of Certain Provisions of the Resolution."

Certain Financial Covenants Made by 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 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 and DASNY, following the conclusion of each Fiscal Year, certificates as to its Debt Service Coverage Ratio for that Fiscal Year. These certificates are required to be delivered (i) not later than 150 days after the last day of each Fiscal Year, on the basis of NYSARC's Preliminary Financial Statements for that Fiscal Year, and (ii) not later than 365 days after the last day of each Fiscal Year, on the basis of NYSARC's Final Annual Financial Statements for that Fiscal Year. *See* "PART 4 – NYSARC – Financial Matters – *Financial Reporting*" for the definition and background concerning the preparation of "Preliminary Financial Statements" and "Final Annual Financial Statements."

Additional Long-Term Parity Debt

NYSARC may incur additional Long-Term Debt secured on a parity with the Series 2017 Bonds with respect to the Pledged Revenues (excluding OPWDD Revenues), without obtaining the prior consent of DASNY; provided that, (i) NYSARC has outstanding Long-Term Debt (including the Series 2017 Bonds) rated, without regard to any Credit Facility or other credit enhancement, "A" or higher (without regard to numeric or "+" or "-" modifiers) by at least one of the Rating Services and (ii) the Debt Service Coverage Ratio for the most recently completed Fiscal Year 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 (a) 1:1 if the purpose of the additional Long-Term Debt is to finance projects for which NYSARC has received a PPA (as defined in "PART 4 – NYSARC – Revenues – *Prior Property Approval Process*") or (b) 1.1:1 if the additional Long-Term Debt is proposed to be issued for any purpose that is not covered by a PPA. 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 and may be based upon the Preliminary Financial Statements for a particular Fiscal Year if the Final Annual Financial Statements for that Fiscal Year are not yet available.

Short-Term Indebtedness

NYSARC may incur Short-Term Indebtedness without limitation; provided that, during any 12–month period, there is not permitted to be outstanding any Short-Term Indebtedness for a period of not less than 30 days or such shorter period as is acceptable to DASNY; provided further, that NYSARC is permitted to incur, and there is permitted to remain outstanding from time to time, Short-Term Indebtedness in an amount that does not exceed 16% of NYSARC's unrestricted revenues for the Fiscal Year prior to NYSARC's most recently concluded Fiscal Year.

Events of Default and Acceleration

The Resolution provides that events of default thereunder and under the Series 2017 Resolutions constitute events of default only with respect to the Series 2017 Bonds. The following are events of default under the Resolution and the Series 2017 Resolutions: (i) a default in the payment of the principal or Redemption Price of or interest payable on the Series 2017 Bonds when they become due and payable; (ii) DASNY shall take any action, or fail to take any action, in violation of any covenant contained in the Series 2017A Resolution concerning compliance with the Code, and as a result thereof interest on the Series 2017A Bonds is no longer excludable from gross income for federal income tax purposes; (iii) a default by DASNY in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Resolution, the Series 2017 Bonds or the Series 2017 Resolutions that continues for 30 days after written notice thereof is given to DASNY 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 principal amount of the Outstanding Series 2017 Bonds) or, if such default is not capable of being cured within 30 days, if DASNY fails to commence the cure of such default within 30 days of the written notice or to diligently prosecute the cure thereof; 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 to be 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 may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Outstanding Series 2017 Bonds shall, by written notice to DASNY, declare the principal of and interest on all the Outstanding Series 2017 Bonds to be due and payable immediately.

The Resolution provides that the Trustee is to give notice of each event of default known to the Trustee to holders of the Series 2017 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 2017 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 withholding the notice is in the best interests of the Holders of the Series 2017 Bonds.

General

The Series 2017 Bonds are not a debt of the State nor is the State liable thereon. DASNY has no taxing power. DASNY has never defaulted in the timely payment of Debt Service Charges on its bonds or notes. *See* "PART 8 – DASNY."

PART 3 – THE SERIES 2017 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2017 Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2017 Resolutions and the Loan Agreement, copies of which are on file with DASNY 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 2017 Bonds.

General

The Series 2017 Bonds will be issued pursuant to the Resolution and the applicable Series 2017 Resolution. The Series 2017 Bonds will be 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 2017 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 2017 Bonds, payments of Debt Service Charges on the Series 2017 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 those payments to the Beneficial Owners of the Series 2017 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 2017 Bonds, the Series 2017 Bonds will be exchangeable for fully registered Series 2017 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 2017 Bonds

The Series 2017 Bonds will be dated the date of their initial delivery and bear interest from such date (payable July 1, 2017 and on each January 1 and July 1 thereafter) at the rates set forth on the inside front cover page of this Official Statement. The Series 2017 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2017 Bonds may be exchanged for other Series 2017 Bonds of any other authorized denominations upon payment of a charge sufficient to reimburse DASNY 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.

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2017 Bonds are subject to optional, special and mandatory redemption, and purchase in lieu of optional redemption as described below.

Optional Redemption of Series 2017 Bonds

The Series 2017A Bonds maturing on or before July 1, 2027 are not subject to optional redemption prior to maturity. The Series 2017A Bonds maturing after July 1, 2027 are subject to redemption prior to maturity at the option of DASNY on or after July 1, 2027, in any order, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the Series 2017A Bonds to be redeemed, plus accrued interest to the redemption date.

The Series 2017B Bonds maturing on or before July 1, 2027 are not subject to optional redemption prior to maturity. The Series 2017B Bonds maturing after July 1, 2027 are subject to redemption prior to maturity at the option of DASNY on or after July 1, 2027, in any order, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the Series 2017B Bonds to be redeemed, plus accrued interest to the redemption date.

Special Redemption

The Series 2017A Bonds are also subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of DASNY on any Interest Payment Date: (i) from proceeds of a condemnation or insurance award with respect to the Project financed or refinanced with proceeds of the Series 2017A Bonds, which proceeds are not used to repair, restore or replace such Project; and (ii) from unexpended proceeds of the Series 2017A Bonds upon the abandonment of all or a portion of the Project financed or refinanced with proceeds of the Series 2017A Bonds due to a legal or regulatory impediment.

The Series 2017B Bonds are subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of DASNY on any Interest Payment Date, from proceeds of a condemnation or insurance award with respect to the Project financed or refinanced with proceeds of the Series 2017B Bonds, which proceeds are not used to repair, restore or replace such Project.

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2017 Bonds, other than mandatory redemption, DASNY will select the maturities of the Series 2017 Bonds to be redeemed.

If less than all of a maturity of a Series of Series 2017 Bonds are to be redeemed, the 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 2017 Bonds in the name of DASNY, by first-class mail, postage prepaid, to the registered owners of any Series 2017 Bonds that are to be redeemed, at their last known addresses appearing on the registration books of DASNY, not fewer than 30 days nor more than 45 days prior to the redemption date. The failure of any owner of a Series 2017 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2017 Bond. If directed in writing by an Authorized Officer of DASNY, 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 2017 Bonds.

If, on the redemption date, money for the redemption of the Series 2017 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 2017 Bonds called for redemption will cease to accrue from and after the redemption date and those Series 2017 Bonds will no longer be considered to be Outstanding.

Mandatory Redemption

In addition, the Series 2017A Bonds maturing on July 1, 2032, July 1, 2037 and July 1, 2041 are also subject to mandatory sinking fund redemption, in part, on July 1 of each of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of Series 2017A Bonds specified for each of the years shown below:

Term Bond Maturing on July 1, 2032

Year	Sinking Fund Installments
2028	$1,155,000
2029	1,145,000
2030	1,140,000
2031	1,100,000
2032†	945,000

†Final maturity.

Term Bond Maturing on July 1, 2037

Year	Sinking Fund Installments
2033	$860,000
2034	860,000
2035	815,000
2036	795,000
2037†	480,000

†Final maturity.

Term Bond Maturing on July 1, 2041

Year	Sinking Fund Installments
2038	$465,000
2039	115,000
2040	115,000
2041†	115,000

†Final maturity.

DASNY may from time to time direct the Trustee to purchase Series 2017A Bonds with moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2017A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2017A Bonds of the same maturity. NYSARC also may purchase Series 2017A Bonds at or below par and apply any Series 2017A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2017A Bonds of the same maturity. Series 2017A Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2017A Bonds so purchased payable on the next succeeding July 1. Series 2017A Bonds redeemed at the option of DASNY, purchased by DASNY or NYSARC (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as DASNY may direct in its discretion. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2017A Bonds of the maturity entitled to such Sinking Fund Installment will be reduced for such year.

The Series 2017B Bonds maturing on July 1, 2022, July 1, 2027, July 1, 2032 and July 1, 2036 are also subject to mandatory sinking fund redemption, in part, on July 1 of each of the years and in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of Series 2017B Bonds specified for each of the years shown below:

Term Bond Maturing on July 1, 2022

Year	Sinking Fund Installments
2017	$30,000
2018	80,000
2019	80,000
2020	80,000
2021	80,000
2022†	75,000

†Final maturity.

Term Bond Maturing on July 1, 2027

Year	Sinking Fund Installments
2023	$80,000
2024	80,000
2025	80,000
2026	80,000
2027†	80,000

†Final maturity.

Term Bond Maturing on July 1, 2032

Year	Sinking Fund Installments
2028	$80,000
2029	80,000
2030	80,000
2031	80,000
2032†	80,000

†Final maturity.

Term Bond Maturing on July 1, 2036

Year	Sinking Fund Installments
2033	$80,000
2034	75,000
2035	75,000
2036†	75,000

†Final maturity.

DASNY may from time to time direct the Trustee to purchase Series 2017B Bonds with moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2017B Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2017B Bonds of the same maturity. NYSARC also may purchase Series 2017B Bonds at or below par and apply any Series 2017B Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2017B Bonds of the same maturity. Series 2017B Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2017B Bonds so purchased payable on the next succeeding July 1. Series 2017B Bonds redeemed at the option of DASNY, purchased by DASNY or NYSARC (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as DASNY may direct in its discretion. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2017B Bonds of the maturity entitled to such Sinking Fund Installment will be reduced for such year.

Purchase in Lieu of Optional Redemption of Series 2017 Bonds

The Series 2017 Bonds maturing after July 1, 2027 are subject to purchase in lieu of optional redemption prior to maturity at the election of NYSARC on or after July 1, 2027, in any order, in whole or in part at any time, at a purchase price of 100% of the principal amount of the Series 2017 Bonds to be purchased, plus accrued interest to the date set for purchase.

Notice of purchase of the Series 2017 Bonds will be given in the name of NYSARC to the registered owners of the Series 2017 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the purchase date.

The Series 2017 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2017 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2017 Bonds are called for purchase in lieu of an Optional Redemption, such purchase will not operate to extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2017 Bonds and such Series 2017 Bonds need not be cancelled, but will remain Outstanding under the Resolution and in such case will continue to bear interest.

NYSARC's obligation to purchase a Series 2017 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2017 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2017 Bonds to be purchased, the former registered owners of such Series 2017 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2017 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2017 Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2017 Bonds of a maturity are to be purchased, the Series 2017 Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2017 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 2017 Bonds, *see* "Appendix D – Summary of Certain Provisions of the Resolution."

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Bond certificate will be issued for each maturity of the Series 2017 Bonds, totaling in the aggregate the principal amount of the Series 2017 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 issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard &

Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 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 2017 Bonds, except in the event that use of the book-entry system for such Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 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 2017 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 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY 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 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2017 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 DASNY or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or DASNY, 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 DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2017 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2017 Bonds by causing the Direct Participant to transfer the Participant's interest in such Series 2017 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Series 2017 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2017 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2017 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2017 Bond certificates will also be printed and delivered to DTC.

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

Each person for whom a Direct or Indirect Participant acquires an interest in the Series 2017 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 DASNY 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 DASNY'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 2017 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2017 Bonds (other than under the captions "PART 11 – TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2017 Bonds.

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Principal and Interest Requirements

The following table sets forth the amounts required to be paid by NYSARC during each 12–month period ending June 30 of the Bond Years shown for the principal of and interest on the Series 2017 Bonds, the debt service on the currently outstanding indebtedness of NYSARC and the total debt service on all indebtedness of NYSARC, including the Series 2017 Bonds.

	Series 2017A Bonds			Series 2017B Bonds				
12-Month Period Ending June 30	Principal Payments	Interest Payments	Total Debt Service on the Series 2017A Bonds[1]	Principal Payments	Interest Payments	Total Debt Service on the Series 2017B Bonds[1]	Debt Service on Other Indebtedness[2]	Total Debt Service[1]
2017	$ 1,450,000	$ 523,784	$ 1,973,784	$ 30,000	$ 20,152	$ 50,152	$ 18,096,791	$ 20,120,727
2018	3,280,000	1,357,488	4,637,488	80,000	52,578	132,578	14,051,148	18,821,213
2019	3,230,000	1,226,288	4,456,288	80,000	50,538	130,538	11,159,198	15,746,024
2020	3,190,000	1,064,788	4,254,788	80,000	48,498	128,498	9,674,247	14,057,533
2021	3,085,000	905,288	3,990,288	80,000	46,458	126,458	8,681,188	12,797,933
2022	2,335,000	751,038	3,086,038	75,000	44,418	119,418	8,185,779	11,391,234
2023	1,645,000	680,988	2,325,988	80,000	42,505	122,505	7,480,251	9,928,744
2024	1,240,000	598,738	1,838,738	80,000	39,705	119,705	6,714,542	8,672,985
2025	1,130,000	536,738	1,666,738	80,000	36,905	116,905	6,299,379	8,083,022
2026	1,135,000	480,238	1,615,238	80,000	34,105	114,105	5,283,548	7,012,891
2027	1,145,000	423,488	1,568,488	80,000	31,305	111,305	4,853,994	6,533,787
2028	1,155,000	366,238	1,521,238	80,000	28,505	108,505	4,630,394	6,260,137
2029	1,145,000	325,813	1,470,813	80,000	25,305	105,305	4,525,521	6,101,639
2030	1,140,000	285,738	1,425,738	80,000	22,105	102,105	3,985,121	5,512,964
2031	1,100,000	245,838	1,345,838	80,000	18,905	98,905	3,681,399	5,126,142
2032	945,000	207,338	1,152,338	80,000	15,705	95,705	3,594,826	4,842,869
2033	860,000	174,263	1,034,263	80,000	12,505	92,505	3,209,207	4,335,975
2034	860,000	142,013	1,002,013	75,000	9,225	84,225	3,204,697	4,290,935
2035	815,000	109,763	924,763	75,000	6,150	81,150	1,642,317	2,648,230
2036	795,000	79,200	874,200	75,000	3,075	78,075		952,275
2037	480,000	49,388	529,388					529,388
2038	465,000	31,388	496,388					496,388
2039	115,000	13,369	128,369					128,369
2040	115,000	8,913	123,913					123,913
2041	115,000	4,456	119,456					119,456

(1) Totals may not add due to rounding.
(2) Excludes debt service on the Refunded Bonds.

PART 4 – NYSARC

Purpose and Operations

NYSARC, Inc. is a leading advocate for the rights of and service provider to 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 47 local operating Chapters primarily organized around county jurisdictions that provide a continuum of services from early intervention services to programs for senior citizens. In addition, NYSARC has six Chapters the activities of which are dedicated to advocacy for the rights and care of these individuals. These six Chapters provide a very limited amount of services. The goal of NYSARC, working through its Chapters, is to provide the individuals it serves with the same opportunities for education, training, habilitation, employment and housing afforded to all citizens.

According to the New York State Office for People with Developmental Disabilities (“OPWDD”), approximately three percent of State residents have intellectual or developmental disabilities that require some form of care. The volume and variety of programs and services available and 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 two are of utmost importance: (1) 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 (2) the successful litigation against the State in 1975 (Willowbrook) that led to the State’s commitment to move individuals who have intellectual or developmental disabilities out of State-operated institutions and into community residential and day programs and to provide greatly increased funding for such programs. Since 1993, persons served in the community have increased from 86,400 to over 140,000, while the population of State-operated institutions has decreased from 4,730 to approximately 500 and is expected to level out at around 150.

The effectiveness of NYSARC’s community-based service model in serving State residents who have intellectual or developmental disabilities, and NYSARC’s essential function within the State, and to the State, in meeting the needs of this population, is reflected in the growth of NYSARC’s funding, the share of State funding for such purposes that NYSARC receives, the number of persons NYSARC serves and the number of persons it employs to provide those services. NYSARC’s total revenues have grown from approximately $164,000,000 in 1983 to over $1,764,000,000 in 2015. NYSARC revenues are approximately one-third of the total amount appropriated by the State in its fiscal year 2014-2015 to meet the needs of this population. The 47 local operating Chapters currently serve approximately 60,000 persons in all of their programs and employ approximately 30,000 staff members.

Organization

NYSARC’s direct services to its clients are delivered through its 47 operating Chapters, each of which is chartered by NYSARC for a specific geographic jurisdiction. Operating 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 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.

Members in many Chapters have also organized supporting foundations to conduct fundraising on behalf of the Chapter. Four Chapters also use separate entities to provide Article 28 clinic services and home health care services. One Chapter has been allowed to provide services outside of the State through separate controlled corporate entities.

Governance

NYSARC is a New York not-for-profit corporation comprised of its Chapters and a state office. NYSARC has 53 Chapters, each of which is authorized by NYSARC's board of governors, and of which 47 operate to serve directly the needs of State residents who have intellectual or developmental disabilities. All Chapters have local boards whose authority is granted through the board of governors. Each Chapter's officers are granted responsibility for that Chapter's day-to-day operations. The State Office provides administration and management for the corporation as determined by the board of governors.

NYSARC is governed by a board of governors, at least a simple-majority of the members of which must be parents or blood relatives of a developmentally disabled person. The board of governors is comprised, at present, of approximately 145 members; it may not consist of fewer than 10 nor more than 150 members. The members of the board of governors are nominated 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 governors are elected by the delegate assembly, which represents all of NYSARC's members.

The board of governors is responsible for the overall management of NYSARC's affairs, including its property and business operations at the Chapter level. It adopts rules, regulations, policies and procedures for the governance and operations of the local Chapters, the board of governors' 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 delegate assembly meeting. Such action may only be rescinded by an affirmative vote of the delegates present at such meeting, 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 15 members, possesses the power and authority of the board of governors during intervals between meetings of the board.

There are 26 committees that act in advisory roles to the board of governors. These committees assist the governors in fulfilling their fiduciary responsibilities in such areas as audit, finance, insurance, legal and guardianship and recommend annual goals in areas such as legislation, guardianship, education, community programs and services, developmental centers, prevention and public information.

The current members of the executive committee are:

LAURA KENNEDY President Staten Island, New York	LORI MARTINDALE Treasurer Queensbury, New York	DR. JOHN KOWALCZYK Senior Vice- President, VP Central Region Utica, New York
SHELLEY WINTERS Secretary Moriah, New York	RICHARD SISSON Assistant Treasurer Painted Post, New York	MARK METZGER Member at Large, Southeast Region Poughkeepsie, New York
SAUNDRA GUMEROVE Vice President, Southeast Region Jericho, New York	PATRICIA CAMPANELLA Member at Large, Northeast Region Ogdensburg, New York	ROSEMARY CELLA Member at Large, Developmental Center Chester, New York
ANGELO DeFELIPPO Member at Large, Northeast Region Schenectady, New York	ROBERT DeSIO Vice President, Northeast Region Saratoga Springs, New York	JEROME ISAACS Member at Large, Developmental Center West Windsor, New Jersey
ARTHUR STILWELL Vice President, Western Region Painted Post, New York	CHERYL ENGLERT Member at Large, Western Region Wayland, New York	JOHN A. SCHUPPENHAUER Immediate Past President Canandaigua, New York

NYSARC's state office (the "State Office") is located in Latham, 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 NYSARC's corporate purposes. The staff of NYSARC's State Office 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 consumers and local Chapter administration. They provide technical assistance, 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. It 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 State statute. The executive committee appoints the trustees and management board to oversee the operation of the trusts.

Steven Kroll has been executive director for NYSARC since December 2014 and is responsible to the board of governors for the management of NYSARC. Mr. Kroll earned his bachelor's degree in business administration from SUNY Buffalo and his master's degree in health administration from Duke University. Mr. Kroll has almost three decades of federal and state policy development and advocacy experience and trade association leadership. His professional background includes serving as Vice President of Governmental Affairs and External Relations at the Healthcare Association of New York State (HANYS), Legislative Assistant for Health Care and Education to the United States Senate, Associate Director of the American Hospital Association Office of Federal Relations in Washington, D.C., and the Interim Executive of the Nassau-Suffolk Hospital Council. He is active in the community, serving on the Board of Trustees of Cobleskill Regional Hospital. He is an active EMT and a volunteer leader with Delmar-Bethlehem EMS and has served as Assistant Chief of the Delmar Volunteer Fire Department. He is also Vice Chair of the New York State Department of Health Emergency Medical Services Council.

John J. Sherman is the chief financial officer 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 served as director and former president and treasurer of the former ClearView Center, Inc., a non-profit mental health provider, and is a former director of Equinox, Inc. the non-profit successor of ClearView that continues to provide mental health and other human services in Albany County. He is a former member of the Rensselaer County Community Services Board. 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 State Department of Health and Preschool Programs approved by the 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, at a regular day care or nursery program or in facilities or schools operated directly by NYSARC Chapters and at day cares approved by the State Office of Children and Family Services. 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.*, 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 six local Chapters and are approved by the State Department of Education. These programs serve students with severe disabilities who are unable to be served by their school district.

Day Services. Day habilitation services are programs certified by OPWDD that provide full, half-day and hourly services for individuals who choose non-employment outcomes or require a more closely supervised type of program. Services and supports are designed to meet the valued outcomes of participants and enable each individual, as appropriate, to be engaged in meaningful community experiences, including volunteering or other activities that give back to the community. Services include self-care, pre-vocational training, remedial education, occupational, physical and speech therapy, psychological, nutritional and other clinical supports.

Day treatment are programs certified by OPWDD 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 OPWDD and pay wages to trainees with disabilities in accordance with standards of the U.S. Department of Labor. Those programs will be transformed over the next five years in order to support participation in the broader community and opportunities to pursue competitive, integrated employment. Such programs will also provide integration opportunities on site by employing non-disabled co-workers who will work alongside the individuals with developmental disabilities enrolled in the program. 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 OPWDD, ACCES/VR[*], or the State Office of Mental Health.

Clinic Services. Clinic treatment programs certified by the State Department of Health, Office of Mental Health, Office of Alcohol and Substance Abuse Services, or OPWDD 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 State Department of Health may also serve the general public as well as program participants.

Home and Community Based Waiver Services. Chapters provide a variety of individualized programs and services under OPWDD's Home and Community Based Services ("HCBS") Medicaid 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 supports 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 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 were 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 is placed on providing the following: (i) service in non-certified settings; (ii) individualized day habilitation and day habilitation without walls; (iii) employment; and (iv) self-direction.

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

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[*] Adult Career and Continuing Education Services/Vocational Rehabilitation Office of the State Department of Education.

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. Each ICF/DD 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. ICFs/DD will be converted to Individual Residential Alternatives (IRAs) over the next five years pursuant to an agreement with the federal government to reduce the reliance on settings, which, by regulations are considered institutional.

- Individualized Residential Alternatives ("IRA") are residences in which individuals reside and receive supervision and guidance from trained staff. Such residences provide a homelike 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 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 aforementioned HCBS Medicaid waiver and have almost completely replaced Community Residences that are now reimbursed as IRAs.

- Family Care is a certified living arrangement in which a voluntary provider agency, such as a NYSARC Chapter, places an individual with an intellectual or other developmental disability into the home of a host family. The residence which is owned or leased by the family is inspected and certified by OPWDD. The family is paid a monthly stipend that is established by OPWDD for care delivered. The Chapter receives an administrative fee for the oversight and support which it provides to the family care provider.

- "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. Compared to 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 waiver 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 to respond to 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 his or her personal affairs without assistance. NYSARC's guardianship program was established in 1970 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 statutes. 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 the State Office of Mental Health ("OMH") and OPWDD. 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 of the trust fund as appointed by NYSARC's executive committee. NYSARC provides individual supplemental need trust trusteeship and administration for persons with any disability.

Revenues

Approximately 97% of NYSARC's 2015 revenues were attributable to programs in which the services described above were provided. They were received under contract and reimbursement arrangements from the following State agencies, which accounted for the percentage of those revenues indicated parenthetically: (1) OPWDD (87%), (2) State Department of Education (6%), (3) State Department of Health ("DOH") (1%), and (4) OMH and State Office of Alcohol and Substance Abuse Services (0.5%). The remaining 5.5% of all revenues are attributable to non-program revenues, including contributions, fundraising and interest earnings. All but one of the Projects to be funded through this financing are supported by funding from OPWDD, the largest funding source for NYSARC.

Medicaid is the largest payor source for NYSARC, accounting for 80% of OPWDD-derived revenues. In recent years, OPWDD has sought to utilize 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 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 facility- based programs, such as IRAs, Day Habilitation and pre-vocational programs are specific to the service provider, program and the individuals served. Other programs such as service coordination, supported employment and community habilitation are paid at regional rates for all providers in the same region. Adjustments are generally made on an annual basis after submission of regulatory reports.

An average of approximately 86% of the operating budgets of the local Chapters is funded through individual program rates and contracts set by DOH with approval of the 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 8% of total OPWDD related revenues.

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

OPWDD

OPWDD 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, OPWDD 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, four State developmental centers and numerous State-operated programs based in the community.

OPWDD 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. OPWDD funds and regulates a State-operated and voluntary-operated community-based services program which now provides residential services to approximately 38,000 individuals and day services supporting approximately 75,000 individuals. Additionally, families who care for more than 65,000 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 providers, not-for-profit organizations (*e.g*., the Participating Chapters), and service providers who work with OPWDD to deliver appropriate and cost effective services to intellectual and developmentally disabled people.

The OPWDD budget has three major components: State Operations, Capital Projects and Aid to Localities. The Aid to Localities portion includes the funds that pay non-profit agencies for their services. Total FY 15-16 funding for OPWDD, much of which is Aid to Localities, equals $4.396 billion. For FY 16-17 the total is $4.402 billion, a year over year increase of $6.28 million. This appropriation does not include federal Supplemental Security Income (SSI), food stamps and other funds used to support developmentally disabled individuals receiving services from providers licensed by OPWDD. Federal Medicaid funds are appropriated to the New York State Department of Health and are combined with OPWDD appropriated funds as services are reimbursed. Likewise, SSI funds are a combination of Federal and State moneys, and are appropriated to the State Office of Temporary and Disability Assistance.

FY 16-17 Aid to Localities budget included $120 million for 6,000 new or expanded opportunities for people with developmental disabilities in a variety of settings. Another $24 million was appropriated to bring people out of State operated institutional and community based ICFs (Intermediate Care Facilities) and place them into community based residential programs most of which are run by nonprofit agencies.

Additionally, the State continues to make payments to the federal government as part of a settlement resolving disputes over prior rate setting practices at State run developmental centers. This issue, which had long threatened the entire field of developmental disabilities, is not expected to have adverse consequences now or in the future to nonprofit developmental disabilities providers. The settlement calls for the State to repay the federal government a total of $1.95 billion over the course of an 11 year period beginning in FY 15-16. None of this amount will come out of any funding for programs and services to people with developmental disabilities.

OPWDD is pursuing a waiver from the federal government to provide the flexibility needed to redesign the delivery system to provide person-centered, need-focused supports and services. The reforms will include creating a managed care delivery system; development of more flexible, person-centered, community-based supports and services; coordination of comprehensive services; and improved quality measurement and transparency. OPWDD, DOH and Centers for Medicare and Medicaid Services ("CMS") are now working out the details for implementation of the new waiver agreements. The redesign will, over the next several years, substantially change the operating environment for OPWDD providers. The ultimate effect of the redesign on revenues and operations is unknown.

OPWDD's Role in Facility Development and Reimbursement

OPWDD is responsible for the regulation and certification of certain of the Participating Chapters' facilities expected to be financed or refinanced with the proceeds of the Series 2017 Bonds. 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 by DOH of a reimbursement rate/price for an individual's care.

Rate setting authority for OPWDD is controlled by the State's single Medicaid agency, DOH. OPWDD has a policy advisory role in the rate setting process and works closely with DOH in the development of the funding methodologies. DOH has a Mental Hygiene Rate Setting Unit which includes many staff transferred from OPWDD's former rate setting unit and therefore continues to have knowledge of the needs of individuals with intellectual and developmental disabilities and the challenges facing not-for-profit agencies providing services to such individuals. DOH staff regularly engage with provider representatives when new funding methodologies are developed and updated. Since 2014, the most significant change under DOH's rate setting approach has been a shift from budget-based to cost-based funding of HCBS waiver services which thus far has had a positive overall impact on NYSARC. While the appeals process has been eliminated, DOH has performed annual updates including changes in capacity and property updates.

Prior Property Approval Process

Prior to initiating the development of a capital project to develop facilities to be used to serve intellectually and/or developmentally disabled individuals, a not-for-profit provider is required under State Codes, Rules and Regulations Part 620 to complete a Certificate of Need ("CON") process. The CON application is reviewed by the OPWDD 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 regional Developmental Disabilities Services Office. The PPA process, inaugurated in the early 1980s, was developed to satisfy the regulatory requirement for OPWDD and the State Division of the Budget approval process for capital costs. This regulatory requirement is incorporated in State Codes, Rules and Regulations Parts 635, 641, 681, 686 and 690. The PPA identifies funding and financing sources for capital costs and the level and method of reimbursement for such costs.

Securing PPA approval establishes the commitments of the voluntary provider as well as the State. The provider commits to develop the program to serve a specific number of individuals in a specific type of facility and program. The State commits to pay operating support for the project if it is completed within the approved budget in conformance with the PPA. For ICFs, IRAs, Day Habilitation, Prevocational and Community Residences, OPWDD will reimburse a provider for all capital costs approved in the PPA at the daily rate/price. As long as the operator continues to meet the requirements of the operating certificate, the operator is eligible for such reimbursement. Because of this commitment, loans made to NYSARC through this financing will mirror the commitment period and capital expense authorized by each PPA.

Certain capital costs are not subject to the PPA process. In 2010, the costs associated with equipment depreciation and interest were transferred by OPWDD to a separate operating cost category and are trended with operational program costs. Additionally, each Participating Chapter is allocated its pro rata share of Chapter 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. Since 2010 OPWDD has funded renovation costs associated with existing certified residential programs with a Residential Replacement Reserve ("RRR") rate component. The RRR is a prospective per person amount added to each program's rate. In the event that repair and renovation costs exceed the RRR capacity of a provider, OPWDD does have a process that allows the provider to receive additional funding on a project specific basis. For ICFs/DD the RRR funding is no longer included as an operating component of the rate and since July 2014 is a property component which is funded via the PPA process.

PPA Regulatory Compliance Process

In early 2015, OPWDD implemented restrictions that expanded the security requirements related to certain projects that have not yet received a PPA, but would otherwise require such a document under applicable regulations. These projects (the "Applicable Projects") are sites for which OPWDD funding is sought for (a) new acquisition, renovation and development, or (b) "substantial renovation" of an existing OPWDD-regulated site, with "substantial renovation" defined as renovation expenses that exceed 75% of the fair market value of the site as determined from the applicable municipal assessment rolls.

For these Applicable Projects, OPWDD requires that the provider applicant execute a Regulatory Compliance Contract and a Capital Component Security and Lien Agreement ("Security and Lien Agreement"). The Regulatory Compliance Contract requires that the provider operate an OPWDD-regulated program at the site for 40 years, and that the provider will otherwise comply with applicable OPWDD regulations.

The Security and Lien Agreement requires the provider to comply with the Regulatory Compliance Contract. In order to secure performance of the Regulatory Compliance Contract, the Security and Lien Agreement grants to OPWDD a first lien on the Facility (as defined therein) and the furniture, fixtures and equipment thereon, securing also any amounts paid by OPWDD in the future to satisfy any mortgage, capital expenditures, operating and maintenance expenses, professional services and other expenses, incurred by OPWDD with respect to the Facility.

The Security and Lien Agreement requires the provider to covenant to comply with all laws, maintain insurance, construct, renovate and maintain the Facility, and comply with other covenants and conditions. The Security and Lien Agreement restricts transfer and mortgaging of the Facility, and contains a Purchase Option, exercisable by OPWDD to purchase the Facility for the principal balance of any Approved Mortgage (as defined therein).

Finally, for such "Applicable Projects", NYSARC has been provided by OPWDD with a form of "Subordination Agreement" to be entered into in which the rights of OPWDD under the Regulatory Compliance Contract and the Security and Lien Agreement would be subordinate to the lien of any Mortgage approved by OPWDD.

Four of the current project facilities are "Applicable Projects". In addition, projects with existing PPAs could potentially become "Applicable Projects", subject to the above procedures, if a future renovation is so significant as to qualify it as a "substantial renovation" as defined above.

Funding for OPWDD is subject to appropriation by the State legislature, and there is no assurance that there will be continued appropriations by the State in amounts sufficient for OPWDD to make payments to the Participating Chapters pursuant to their respective PPAs.

The information concerning OPWDD (including the PPA process and Residential Replacement Reserve) has been provided by NYSARC from publicly available information and is subject to change.

Employee Matters

Pursuant to final changes in U.S. Department of Treasury regulations issued in July 2007 related to plan discrimination and controlled group requirements, NYSARC determined that aggregate discrimination testing of all local Chapter and State Office retirement plans is annually required. NYSARC plans taken in the aggregate have satisfied the thresholds established by the regulations. Each Chapter provides its own employee benefit array and NYSARC conducts periodic corporate discrimination testing. NYSARC policy prohibits the use of defined benefit pension plans without the express approval of the board of governors and requires Chapters to notify the State Office before making changes to local plans. There are two defined benefit plans, both of which are fully funded; one of the plans is inactive.

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

Pending Litigation and Regulatory Matters

NYSARC and its Chapters are named defendants in a number of lawsuits of varying nature. NYSARC and its 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.

Most of the services that NYSARC provides through its 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 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 Chapters maintain a corporate compliance program, and established a Corporate Compliance Officer staff position at the NYSARC State Office, reporting directly to the Committee, to assist and advise local Chapters in the implementation and effectiveness of corporate compliance at the local level. All Chapters are required to report statutory self-disclosures, referrals and all audits by regulatory and oversight agencies to the NYSARC State Office. Besides reviewing these reports, NYSARC's corporate compliance staff are required to visit at least five Chapters per year to ensure that the Chapters indeed have a compliance program that has all the required elements.

Chapters, like all providers receiving more than $500,000 in Medicaid reimbursement, must certify compliance with the State's regulatory requirements for compliance programs pursuant to 18 NYCRR Part 521. Chapters must also certify compliance with federal Deficit Reduction Act requirements concerning False Claims Act training for employees and contractors. Both of these certifications are submitted annually directly to the State Office of Medicaid Inspector General.

Financial Matters

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 require the consolidation of these affiliates for financial accounting purposes, their aggregate net operating revenue (or deficit) is insubstantial (accounting for less than two percent of NYSARC's revenues in 2015, the most recent year for which Final Annual Financial Statements are available), and they accounted, in the aggregate, for less than four percent of NYSARC's assets and liabilities, determined on a combined basis, as of December 31, 2015. 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. Chapter and Their Affiliates Combined Financial Statements as of and for the Year Ended December 31, 2015 Together with Accountants’ Compilation Report” and “Appendix B-1 – NYSARC, Inc. Chapters and Their Affiliates Combining Statement of Financial Position for the Nine Months Ending September 30, 2016 (Preliminary and 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 and NYSARC’s lenders. 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 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” does not differ in any material respect as between the information derived from the Preliminary Financial Statements for that year and the Final Annual Financial Statement for that year.

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Summary Financial Information

The following table is abstracted from NYSARC's Final Annual Financial Statements as of and for the years ended December 31, 2011 through December 31, 2015, and the nine months ended September 30, 2016 and September 30, 2015:

Statement of Financial Position (unaudited)

	As of December 31, (in thousands)					As of September 30, (in thousands)	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Assets:							
Current Assets	$606,185	$596,921	$619,384	$632,540	$649,809	$646,426	$647,199
Net Property, Plan & Equipment	479,386	470,893	468,105	453,089	442,740	383,619	401,376
Other Assets	64,905	61,539	64,062	69,494	73,692	81,576	84,094
Total	$1,150,476	$1,129,353	$1,151,551	$1,155,123	$1,166,241	$1,111,621	$1,132,669
Liabilities and Net Assets:							
Current Liabilities	$316,910	$298,258	$288,766	$289,746	$299,633	$290,874	$264,736
Long-Term Debt	272,171	256,159	236,609	219,304	196,771	191,490	187,305
Other Liabilities	42,080	40,979	44,785	52,192	58,532	49,381	42,459
Net Assets (unrestricted)	498,753	511,797	560,662	574,800	592,378	560,647	619,028
Net Assets (restricted)	20,562	22,160	20,729	19,081	18,927	19,229	19,141
Total	$1,150,476	$1,129,353	$1,151,551	$1,155,123	$1,166,241	$1,111,621	$1,132,669

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	Combined Statement of Activities (unaudited) For the Years Ended December 31, (in thousands)					For the Nine Months Ended September 30, (in thousands)	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Support and Revenue:							
Program Revenues	$1,696,857	$1,671,715	$1,668,577	$1,654,667	$1,703,836	$1,332,792	$1,413,818
Nonprogram Revenues	34,319	26,334	31,495	41,052	52,515	21,432	21,411
Other	7,333	19,450	27,016	17,883	6,056	5,522	18,070
Net Assets Released from Restrictions	1,778	1,972	4,491	4,431	2160	59	41
Total Support and Revenues	$1,740,287	$1,719,471	$1,731,579	$1,718,034	$1,764,567	$1,359,805	$1,453,340
Expenses:							
Program Services	$1,573,966	$1,543,947	$1,530,419	$1,544,670	$1,585,493	$1,210,599	$1,281,582
Management and General	150,126	150,876	148,878	153,210	155,927	121,655	111,285
Other	4,806	4,786	3,392	5,418	6,106	7,332	7,863
Total Expenses	$1,728,898	$1,699,609	$1,682,689	$1,703,297	$1,747,526	$1,339,586	$1,400,730
Change in Unrestricted Net Assets	$11,389	$19,862	$48,890	$14,737	$17,041	$20,219	$52,610
Change in Temporarily Restricted Net Assets	1,314	2,275	184	(1,683)	(186)	418	451
Change in Permanently Restricted Net Assets	11	47	101	35	33	0	(255)
Other Changes in Net Assets	-	(7,541)	(1,742)	(599)	536	-	-
Total Change in Net Assets	$12,714	$14,643	$47,433	$12,490	$17,425	$20,637	$52,806
Cash and Cash Equivalents	$188,163	$170,488	$176,968	$163,373	$190,839	$165,055	$164,710

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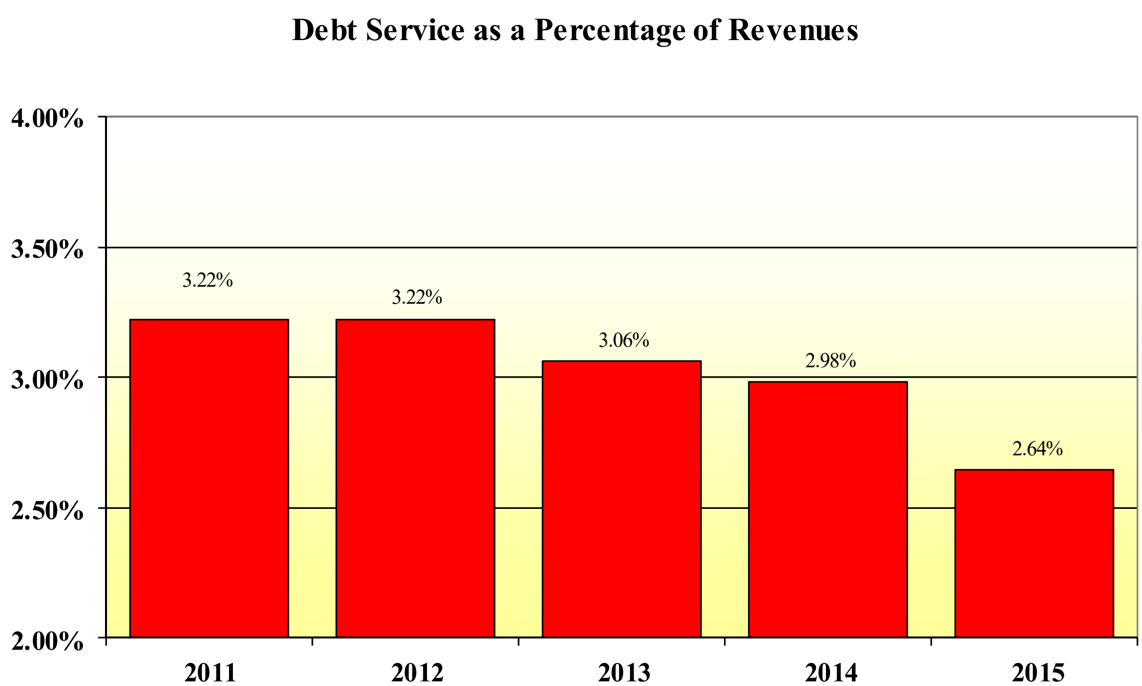
Certain Financial Data

For the purpose of the charts below that set forth pro forma information based on the assumption that the Series 2017 Bonds have been issued, it is assumed the Series 2017 Bonds are issued in the aggregate principal amounts and bear interest at rates set forth on the inside cover of this Official Statement and principal is payable in installments such that the debt allocable to a particular Project and to the refunding of the Refunded Bonds is amortized on a level debt service basis:

Long Term Debt Service as a Percentage of Total Revenues

The following chart sets forth for each of Fiscal Years 2011 through 2015 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:



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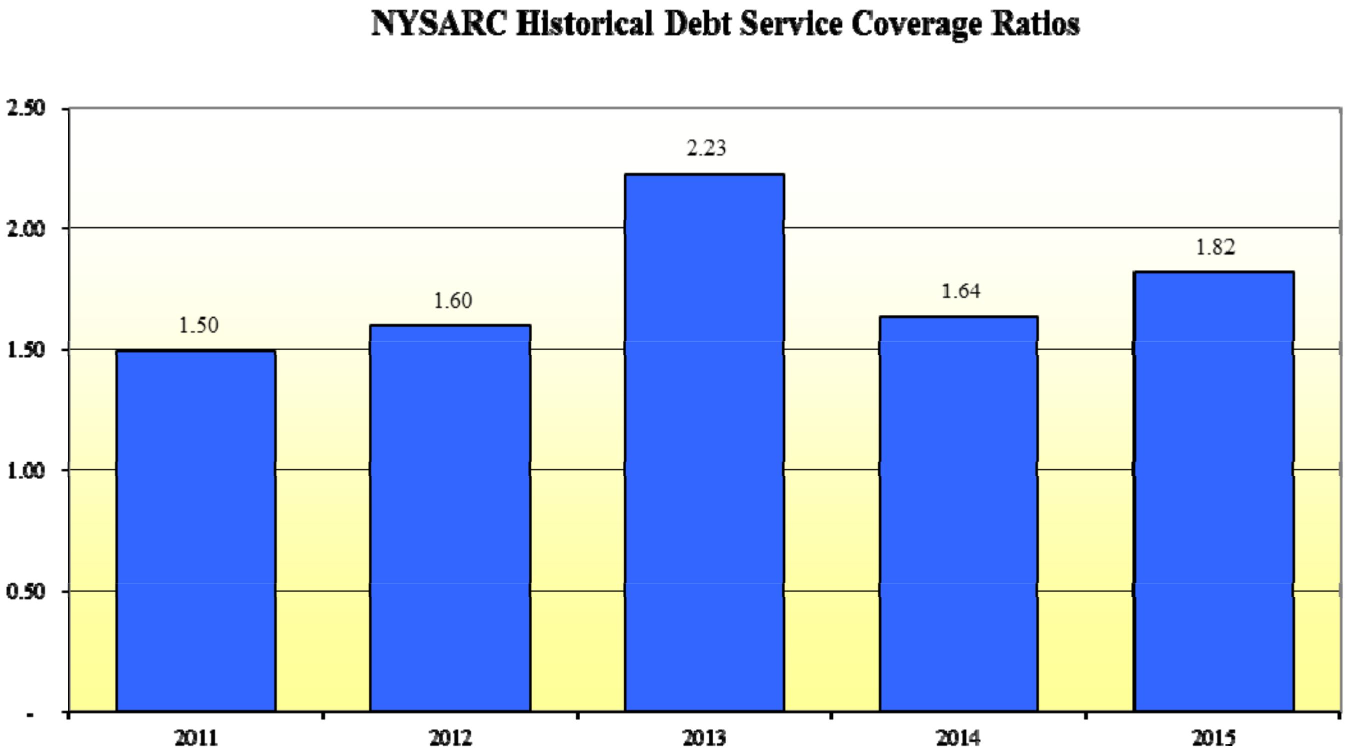
Debt Service Coverage Ratios

The following chart sets forth for each of Fiscal Years 2011 through 2015 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:



The Debt Service Coverage Ratio is the ratio of the sum of cash flow (the sum of net income and current depreciation) plus interest expense, divided by the same Fiscal Year's debt service.

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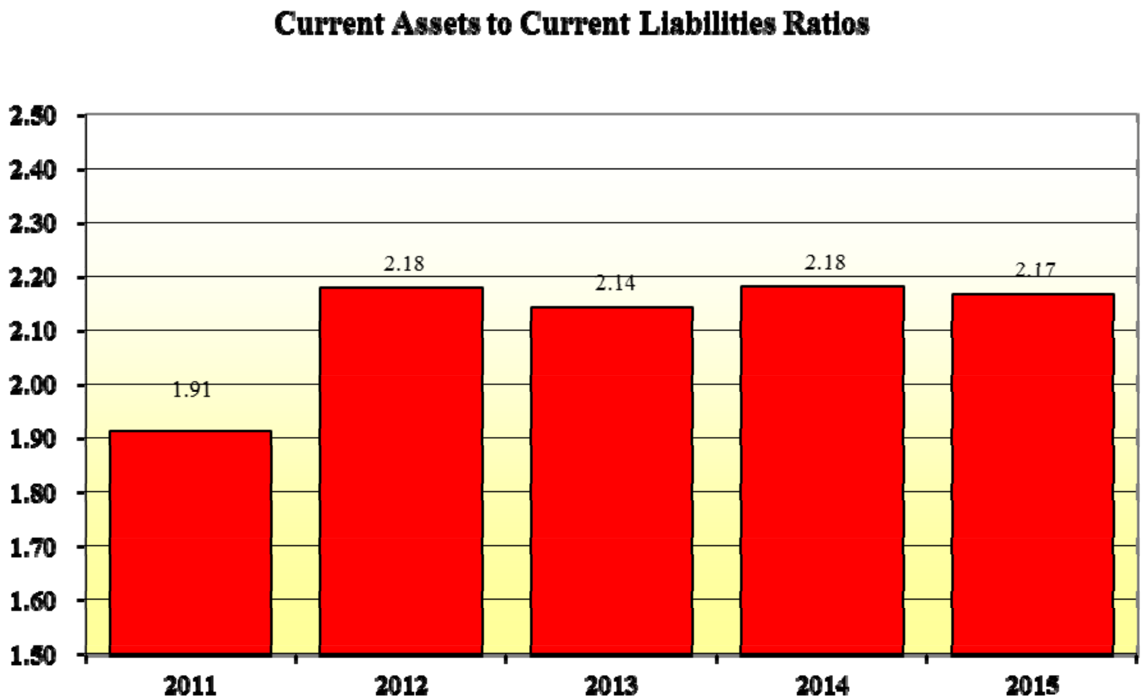
Five-Year Current Ratios

The following chart sets forth for each of Fiscal Years 2011 through 2015 the ratio of NYSARC's Current Assets to its Current Liabilities as of December 31 of the indicated Fiscal Year:



Management's Discussion

OPWDD made its last cost of living adjustments and retroactive cost of living increases during 2010. Rate appeals were eliminated as of July 1, 2011 and new community development has been reduced as OPWDD proceeds with its agenda to transform the services and fiscal environment through the development of a new waiver called the "People First Waiver" using a managed care delivery system. Implementation of the new system has been very slow and no managed care plans exclusively funding Home and Community Based Services for persons with intellectual and developmental disabilities have been approved. The initial transition of the revenue process to cost and acuity based rates through a process called "rate rationalization" began during 2014. Rate rationalization methodology basically shifts costs among all providers, gradually eliminating budget based rates in favor of consumer acuity based rates. Overall, we believe this will have a small but positive impact on NYSARC. The first stage of the new system affecting residential and group day habilitation programs is being implemented over a four-year period in order to allow providers time to adjust to the new revenue structure. As an example of the limited impact, the increase in these two programs (residential and group day habilitation) is anticipated to be $8,000,000; with no cost of living increases the slight improvement (approximately .5% of total NYSARC revenues) will be lost to future increases in cost. A second stage, expanded the system to include prevocational, respite and Family Care services which is being implemented over a three-year period that began in July 2015. This plus additional administrative reductions imposed by OPWDD during the transition has resulted in a reduction and flattening of total revenues and net surpluses for the foreseeable future. As this methodology is partially based on providers' reported costs, on a cyclical basis, net surpluses may be reduced during rate-setting base year periods (2015, 2017 scheduled). There were two successive 2% increases to direct support professional wages, implemented on January 1, 2015 and on April 1, 2015, which provide some relief from years of no increase budgets.

With respect to the transformation to managed care, NYSARC, using five Chapters in and surrounding New York City, created Partners Health Plan, Inc., a Fully Integrated Dual Advantage ("FIDA") managed care entity, in anticipation of serving the health and habilitation needs of persons with Intellectual Development Disabilities ("I/DD"). Like the rest of the I/DD managed care implementation in the State, this has been fraught with delays but it now appears that DOH is ready to approve implementation this year in the New York City area. The managed care expansion time frame into upstate counties is unknown at this point.

NYSARC's overall financial position remains strong. Long term debt as a percent of revenue continues to decrease and because the rate of new development has decreased, debt will continue to drop in the future. Short term borrowing has also has decreased and is expected to drop even further after issuance of the Series 2017 Bonds.

Representing approximately 33% of the I/DD space in the State allows NYSARC to create economies internally, through collaboration and consolidation of Chapter operations, and externally by absorbing smaller independent agencies. Chapters have coalesced on regional lines to implement cost savings. For example, North Country MSO, Inc. provides services to four Chapters in the northern most area of the State. The Collaborative of the Finger Lakes, Inc. recently expanded its services from twelve Finger Lakes area Chapters to sixteen Chapters by including four from western New York. NYSARC will remain a strong financial institution in the I/DD provider field for many years. In addition, NYSARC expects to be able to meet its debt service obligations due to its financial strength and because the PPA process, as explained above, is still in effect for new projects. The PPA results in an add-on to the operating rates of NYSARC programs and is not affected by other reductions. Relief from the RRR methodology for significant maintenance and repair capital expenditures is also available on an as-needed basis. The result of the revenue increase from PPAs and RRR is that the ratio of debt service to total revenues is expected to remain low throughout the life of the projects included thereunder. *See "*OPWDD *- Prior Property Approval Process"* above. Annual revenue increases will continue to decline as the service system adjusts to the constraints posed by the State. For many years, NYSARC's current ratio has been adequate to meet current obligations. If there is a strain on cash flow either (a) to implement the aforementioned pilot programs or (b) because of State mandated payment lags or revenue reductions, NYSARC has sufficient liquid reserves and adequate short term debt facilities to meet its working capital needs for regular operations and support any combination or expansion opportunities that arise.

NYSARC is uniquely positioned to adapt to a temporarily flat revenue environment in the State and thrive with the evolution of services provided. Since NYSARC's organization is based on self-sufficient Chapters operating throughout the entire State, NYSARC may benefit from at least two opportunities: (1) the possibility to absorb small financially stressed service providers and (2) the ability to combine business and support operations to achieve greater efficiencies without a reduction in services. Expense control will be critical to NYSARC's future success. NYSARC's financial performance from 2011 to 2015 demonstrates NYSARC's ability to rapidly adjust its operations.

PART 5 – PARTICIPATING CHAPTER AND PROJECT INFORMATION

The proceeds of the Series 2017 Bonds that will be loaned to NYSARC pursuant to the Loan Agreement are expected to be used to finance costs of the Project and to refund the Refunded Bonds. The "Project" consists of individual capital projects for the Chapters identified below and includes the acquisition, construction, renovation, rehabilitation, repair, purchase, equipping, and otherwise providing of community residence facilities to house persons who have intellectual and developmental disabilities and facilities for the training and support of such individuals throughout the State. The Refunded Bonds consist, collectively, of the Series 2007B Bonds and the Series 2009A Bonds. The Refunded Bonds were originally issued to provide for the financing and/or refinancing of various individual capital projects for several NYSARC Chapters (the "Refunded Bonds Project Facilities"). *See* "– The Project" and "– Refunded Bonds Project Facilities" herein and "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS."

The local Chapters that are expected to receive a portion of the proceeds of the Series 2017 Bonds are as follows (each, a "Participating Chapter"):

PARTICIPATING NYSARC, INC. CHAPTERS

REVENUE FOR THE YEAR ENDED DECEMBER 31, 2015
AND BUDGETED REVENUE FOR THE YEAR ENDING DECEMBER 31, 2016
STAFF AND PERSONS SERVED FOR THE YEAR ENDED DECEMBER 31, 2016

Chapter	2015 Revenue	2016 Budgeted Revenue	2016 Total Staff	2016 Total Served
Chemung	$19,658,076	$21,341,097	440	798
Franklin - Hamilton	18,230,982	19,500,000	417	312
Genesee	13,623,226	13,772,400	219	491
Herkimer	23,416,897	23,918,973	317	870
Monroe	40,787,241	41,353,581	790	1,550
Onondaga	26,236,931	26,692,709	463	836
Ontario	23,245,450	22,610,647	529	878
Orleans	10,193,181	10,584,111	284	1,369
Otsego	18,748,219	18,435,675	265	541
Putnam	23,034,625	23,122,937	443	1,415
Saratoga	27,899,950	27,900,794	522	845
Schenectady	31,197,076	29,312,823	616	984
Schoharie	15,229,295	15,229,886	335	336
Seneca-Cayuga	26,449,263	26,179,179	443	1,348
St. Lawrence	28,855,739	29,318,622	580	703
Steuben	16,913,682	17,273,656	355	939
Ulster-Greene	58,055,897	58,676,217	1,163	1,500
Warren – Washington – Albany	38,929,471	37,400,000	820	900
Wayne	25,209,500	25,518,000	542	1,577
Westchester	55,321,610	54,444,970	828	1,957
TOTALS	$ 541,236,311	$542,586,277	10,371	20,149

The "2015 Revenue" is based on the Final Annual Financial Statements for Fiscal Year 2015. The "2016 Budgeted Revenue" is based on Chapter self-reports and may not include all effects of the State Fiscal year 2016-17 budget which were approved sometime after these budgets were developed. As noted in the prior discussion, OPWDD programs are responsible for almost all revenues. Because they are developed well before the 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.

The "2016 Total Staff" is based on Chapter reports of the 2016 unduplicated count of full-time employees, part-time employees, including relief staff, and contracted employees at the time of the report during 2016. The "2016 Total Served" is the unduplicated count of persons served with a developmental disability or with a disability other than developmental and persons without disability. The ratio of staff to consumers served varies significantly depending on the types of services provided and the needs of the consumers served. Chapters with a low number of staff to consumers in the above chart provide services that typically do not require intense staffing or may provide services to an integrated client base, such as Article 28 clinic, sheltered workshops, or integrated schools and day care. Chapters with a high ratio of staff to consumers may operate proportionately more programs such as ICFs or IRAs where consumer needs require more staff per client.

The Project

The Project includes the financing or refinancing of the acquisition, construction, renovation, furnishing or equipping of various capital projects for the participating Chapters listed below, including the acquisition of land, as applicable, and related site improvements:

Chapter	Number of Capital Projects	Dollar Amount of Capital Projects*
Franklin-Hamilton	3	$1,224,419
Putnam	1	2,710,051
Saratoga	2	255,000
St. Lawrence	5	246,535
Ulster-Greene	3	1,898,659
Warren-Washington-Albany	1	1,358,291
Total	15	$7,692,955

* The actual principal amount of the Series 2017 Bonds allocable to each capital project and location thereof may differ from the amounts set forth above.

Refunded Bonds Project Facilities

A portion of the proceeds of the Series 2017 Bonds, together with other available moneys, will be used to refund the Refunded Bonds which originally were issued to finance and/or refinance the Refunded Bonds Project Facilities. The Refunded Bonds are listed below along with the corresponding Participating Chapters:

Refunded Bonds Issued to Finance Refunded Bonds Project Facilities	Chapters	Current Principal Amount Outstanding	Principal Amount to Be Redeemed
Series 2007B Bonds	Westchester	$6,415,000	$6,415,000
Series 2009A Bonds	Chemung	447,860	447,860
	Franklin-Hamilton	1,105,231	1,105,231
	Genesee	417,072	417,072
	Herkimer	354,037	354,037
	Monroe	1,329,954	1,329,954
	Onondaga	650,803	650,803
	Ontario	979,176	979,176
	Orleans	252,577	252,577
	Otsego	86,050	86,050
	Putnam	2,117,734	2,117,734
	Saratoga	6,094,835	6,094,835
	Schenectady	1,742,658	1,742,658
	Schoharie	187,559	187,559
	Seneca-Cayuga	2,382,424	2,382,424
	Steuben	3,979,810	3,979,810
	Ulster-Greene	875,953	875,953
	Warren-Washington-Albany*	235,990	235,990
	Wayne	190,193	190,193
	Westchester	1,785,084	1,785,084
	Total Series 2009A Bonds	$25,215,000	$25,215,000

*Prior to 2014, this chapter was known as the Warren-Washington Chapter.

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PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds for the Series 2017 Bonds are as follows:

Source of Funds	Series 2017A Bonds	Series 2017B Bonds
Principal Amount of Series 2017 Bonds	$32,970,000	$1,530,000
Plus: Net Original Issue Premium	2,254,935	--
Funds from Other Sources	8,661,569	--
Total Sources	**$43,886,504**	**$1,530,000**
Uses of Funds		
Costs of the Project	$ 6,329,976	$1,336,671
Deposit to Refunding Escrows	34,526,065	--
Deposits to Debt Service Reserve Funds	2,233,723	151,309
Cost of Issuance*	796,740	42,020
Total Uses	**$43,886,504**	**$1,530,000**

* Includes DASNY fee, Underwriter's discount, printing costs, Trustee fees, rating agency fees, legal fees, verification agent fees and other miscellaneous costs of issuance.

PART 7 – THE REFUNDING PLAN

A portion of the proceeds (the "Refunding Proceeds") of the Series 2017 Bonds, together with other monies, will be used to refund and defease the Refunded Bonds. Upon issuance of the Series 2017 Bonds, the Refunding Proceeds will be divided and deposited with the trustee for each series of the Refunded Bonds (the "Prior Trustee"), and DASNY will direct the Prior Trustee use such funds, together with other monies held by the Prior Trustee with respect to each series of the Refunded Bonds, to acquire, if available, non-callable direct obligations of the United States of America (the "Defeasance Securities"), the principal of and interest on which, when due, together with any uninvested initial cash deposit, will provide moneys sufficient to pay the respective redemption prices of each series of the Refunded Bonds and the interest on such Refunded Bonds to the respective dates fixed for redemption.

The Defeasance Securities, if any, and any cash deposit will be held by the Prior Trustee in trust solely for the payment of the redemption prices of and interest on the respective series of the Refunded Bonds. At the time of such deposit of the Refunding Proceeds, DASNY will give the Prior Trustee irrevocable instructions to give notice of the defeasance (if applicable) and redemption of each series of the Refunded Bonds and to apply the proceeds from the Defeasance Securities held for each series of the Refunded Bonds, together with any related initial cash deposit, to the payment of the redemption price of and interest on the applicable series of the Refunded Bonds.

PART 8 – DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the

State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At December 31, 2016, DASNY had approximately $49 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain 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, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 507 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 46 field sites across the State.

Governance

DASNY is governed by an eleven-member board. 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 DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

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

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has 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 managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board 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 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 expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 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 the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where 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. 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.

JONATHAN H. GARDNER, ESQ., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. 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, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

PAUL S. ELLIS, ESQ., Riverdale.

Paul S. Ellis was appointed as a Member of DASNY by the Speaker of the State Assembly on September 19, 2016.

MARYELLEN ELIA, *Commissioner of Education of the State of New York*, Loudonville; *ex-officio*.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

HOWARD A. ZUCKER, M.D., J.D., *Commissioner of Health of the State of New York*, Albany; *ex-officio*.

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that, he served as First Deputy

Commissioner leading the State Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the State Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

ROBERT F. MUJICA, JR., *Budget Director of the State of New York,* Albany; *ex-officio*.

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. 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. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY 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 DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable, financial reporting functions, budget, payroll, insurance and information services, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all DASNY financings. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY 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. She holds a Bachelor of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, real property, sustainability and engineering, as well as other technical services. Mr. Curro joined DASNY 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 has worked in the construction industry for more than 30 years. 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.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications & Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

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 DASNY 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. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY 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 DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

Environmental Quality Review

DASNY 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 to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2016. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 9– LEGALITY OF THE SERIES 2017 BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2017 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2017 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 – NEGOTIABLE INSTRUMENTS

The Series 2017 Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2017 Resolutions and the Series 2017 Bonds.

PART 11 – TAX MATTERS

Series 2017A Bonds

In the opinion of Barclay Damon, LLP, Co-Bond Counsel, under existing law and assuming compliance by DASNY and NYSARC with certain covenants and the accuracy and completeness of certain representations of DASNY and NYSARC, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations under the Code. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

The Code imposes various requirements that must be met in order that interest on the Series 2017A Bonds will be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2017A 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 2017A 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 2017A Bonds, regardless of the date on which the event causing such inclusion occurs. DASNY and NYSARC have covenanted in the Resolution, the Series 2017A Resolution, the Loan Agreement and the Tax Compliance Agreement 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 opinion of Barclay Damon, LLP assumes continuing compliance with such covenants as well as the accuracy of such representations made by DASNY and NYSARC.

Certain requirements and procedures contained or referred to in the Resolution, the Series 2017A Resolution, the Loan Agreement, the Tax Compliance Agreement 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 Co-Bond Counsel. The opinion of Barclay Damon, LLP, Co-Bond Counsel, states that such firm, as Co-Bond Counsel, expresses no opinion as to any Series 2017A Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of Co-Bond Counsel other than Barclay Damon, LLP.

The Series 2017A Bonds maturing July 1 in the years 2032, 2037 and 2041 (the "Discount Bonds") are being sold to the initial purchasers at prices less than the stated principal amounts thereof. The difference between the stated principal amount of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity were sold constitutes original issue discount that is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2017A Bonds. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Discount Bond and the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount.

The Series 2017A Bonds maturing July 1 in the years 2017 through 2027, inclusive (the "Premium Bonds") are being sold to the initial purchasers at prices greater than the stated principal amount thereof. The Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that an owner of Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Prospective purchasers of the Series 2017A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2017A 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 own tax advisors as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2017A Bonds. Barclay Damon, LLP 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 ("IRS") in a manner similar to interest paid on taxable obligations. Interest on the Series 2017A 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 IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Series 2017A 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 2017A Bonds, if other than the registered owner).

In the opinion of Barclay Damon, LLP, as Co-Bond Counsel, interest on the Series 2017A Bonds is exempt, under existing statutes, from personal income taxes of the State of New York and its political subdivisions, as applicable. *See* "Appendix F – Forms of Approving Opinions of Co-Bond Counsel."

Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may cause interest on the Series 2017A Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to state income taxation, or otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2017A Bonds for federal or state income tax purposes. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Series 2017A Bonds. For example, proposals have been made that could limit the exclusion from gross income of interest on obligations like the Series 2017A Bonds for taxpayers who are individuals and whose income is subject to higher marginal tax rates or that could otherwise significantly reduce the benefit of the exclusion from gross income of interest on obligations like the Series 2017A Bonds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2017A Bonds may occur. Prospective purchasers of the Series 2017A Bonds should consult their own advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Barclay Damon, LLP expresses no opinion.

Barclay Damon, LLP's engagement with respect to the Series 2017A Bonds ends with the issuance of the Series 2017A Bonds and, unless separately engaged, Barclay Damon, LLP is not obligated to defend DASNY or the Bondholders regarding the tax-exempt status of interest on the Series 2017A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than DASNY 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 DASNY legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2017A 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 2017A Bonds, and may cause DASNY, NYSARC or the Bondholders to incur significant expense.

Series 2017B Bonds

In the opinion of Barclay Damon, LLP, interest on the Series 2017B Bonds is not excluded from the gross income of the owners thereof for purposes of federal income taxation. Interest on the Series 2017B Bonds is exempt from existing personal income taxes of the State of New York and its political subdivisions, including the City of New York and the City of Yonkers. Holders of the Series 2017B Bonds should consult their own tax advisors with respect to their particular circumstances.

The following discussion is a brief summary of the principal federal income tax consequences of the acquisition, ownership and disposition of Series 2017B Bonds by original purchasers of the Series 2017B Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 2017B Bonds will be held as "capital assets"; and (iii) does not discuss all of the federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2017B Bonds as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Series 2017B Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Series 2017B Bonds should consult with their own tax advisors concerning the federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2017B Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2017B Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Series 2017B Bond.

For federal income tax purposes, the defeasance of Series 2017B Bonds pursuant to the Resolution could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2017B Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, interest paid on taxable obligations is subject to information reporting to the IRS. Interest on the Series 2017B 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 owner's taxpayer identification number) in the manner required by the IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Series 2017B Bonds and will 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 2017B Bonds, if other than the registered owner).

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Series 2017B Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

PART 12 – STATE NOT LIABLE ON THE SERIES 2017 BONDS

The Act provides that notes and bonds of DASNY 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 DASNY. The Resolution specifically provides that the Series 2017 Bonds are not a debt of the State and that the State is not liable on them.

PART 13 – COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of DASNY'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 DASNY and with the holders of DASNY's notes or bonds.

PART 14 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2017 Bonds by DASNY are subject to the approval of Barclay Damon, LLP, Albany, New York, and Marous Law Group, P.C., New York, New York, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2017 Bonds; provided, however, that certain legal matters with respect to the tax status of interest on the Series 2017A Bonds is subject to the approval of only Barclay Damon, LLP. The proposed forms of Co-Bond Counsel's opinions are set forth in Appendix F hereto.

Certain legal matters will be passed upon for NYSARC by its counsel, Cullen and Dykman, LLP, Albany, New York, and for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2017 Bonds or questioning or affecting the validity of the Series 2017 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of DASNY to finance the Project or refund the Refunded Bonds in accordance with the provisions of the Act, the Resolution, the Series 2017 Resolutions and the Loan Agreement.

PART 15 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), NYSARC will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2017 Bonds with Digital Assurance Certification L.L.C. ("DAC"), as disclosure dissemination agent, the Trustee, and DASNY. The proposed form of the Continuing Disclosure Agreement is attached as Appendix E hereto.

In the past five years, NYSARC has generally complied with its continuing disclosure obligations, with the exception of (i) the inadvertent omission of certain operating and financial data for fiscal years 2012 through 2014 that should have been included as part of the annual financial information required to be filed under applicable continuing disclosure agreements, and (ii) the inadvertent omission to file operating and financial data for fiscal years 2014 and 2015 with respect to certain CUSIP numbers related to the 2009A Bonds. NYSARC has updated certain internal procedures and controls with respect to its continuing disclosure reporting policies in order to avoid any inadvertent omissions in the future and to ensure the full and proper disclosure of all NYSARC related information as required by the terms of its continuing disclosure obligations. NYSARC's failure to timely file operating and financial data for certain CUSIP numbers related to the 2009A Bonds resulted from NYSARC not being aware that new CUSIP numbers had been issued for maturities of the 2009A Bonds that had been partially refunded in July 2014. NYSARC made timely filings in fiscal 2014 and 2015 for those maturities of the 2009A Bonds that had not been partially refunded, but was not aware of the new CUSIP numbers for the maturities of the 2009A Bonds that were partially refunded in July 2014. Upon becoming aware of its failure to file the required information with respect to the new CUSIP numbers, NYSARC promptly made the required filings on EMMA.

PART 16 – UNDERWRITING

Raymond James & Associates, Inc. ("Raymond James" or the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2017 Bonds from DASNY and to make a public offering of the Series 2017 Bonds at prices that are not in excess of the public offering prices stated on the inside front cover of this Official Statement. The agreed purchase price of the Series 2017A Bonds is $35,016,730.15 (which is equal to the aggregate principal amount of the Series 2017A Bonds, less an Underwriter's discount in the amount of $208,204.75, plus net original issue premium in the amount of $2,254,934.90). The agreed purchase price of the Series 2017B Bonds is $1,516,739.75 (which is equal to the aggregate principal amount of the Series 2017B Bonds, less an Underwriter's discount in the amount of $13,260.25). The Underwriter will be obligated to purchase all of the Series 2017 Bonds if any Series 2017 Bonds are purchased.

The Series 2017 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

PART 17– VERIFICATION OF MATHEMATICAL COMPUTATIONS

Dunbar Breitweiser & Co., LLP, a firm of independent public accountants, will deliver to DASNY its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by DASNY and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Defeasance Securities deposited with the Prior Trustee under the resolutions pursuant to which the Refunded Bonds were issued to pay the redemption price of and interest coming due on the Refunded Bonds on the redemption date or respective redemption dates as described in "PART 7 - THE REFUNDING PLAN." Dunbar Breitweiser & Co., LLP will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2017 Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2017 Bonds from gross income for federal income tax purposes.

PART 18 – RATING

The Series 2017 Bonds have been rated "Aa2" by Moody's Investors Service Inc. ("Moody's"). The rating on the Series 2017 Bonds is based upon the obligation of NYSARC under the Loan Agreement to make certain payments from the Revenues, the security interest in the Pledged Revenues granted by NYSARC to DASNY under the Loan Agreement, and the Standby Intercept. An explanation of the significance of the rating should be obtained from Moody's. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by Moody'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 2017 Bonds.

PART 19 – MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2017 Resolutions and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2017 Resolutions and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2017 Resolutions and the Loan Agreement are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2017 Bonds are fully set forth in the Resolution and the Series 2017 Resolutions. Neither any advertisement of the Series 2017 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2017 Bonds.

Any statements in this Official 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 and the Project was supplied by NYSARC. DASNY believes that this information is reliable, but DASNY and the Underwriter 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. DASNY believes that this information is reliable, but makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

"Appendix A – Certain Definitions," "Appendix C – Summary of Certain Provisions of the Loan Agreement," "Appendix D – Summary of Certain Provisions of the Resolution," and "Appendix F – Forms of Approving Opinions of Co-Bond Counsel" have been prepared by Barclay Damon, LLP, Albany, New York, and Marous Law Group, P.C., New York, New York, Co-Bond Counsel.

"Appendix B – NYSARC, Inc. Chapters and Their Affiliates Combined Financial Statements as of and for the Year Ended December 31, 2015 Together with Accountants' Compilation Report" contains the certified financial statements of NYSARC and the report of NYSARC's independent accountants, Bonadio & Co., LLP, on such financial statements.

"Appendix B-1 – NYSARC, Inc. Chapters and Their Affiliates Combining Statement of Financial Position for the Nine Months Ending September 30, 2016 (Preliminary and Unaudited)" contains the combined financial statements of NYSARC.

NYSARC has reviewed the parts of this Official Statement describing NYSARC, the Participating Chapters, the Project, the Refunding Plan, the Estimated Sources and Uses of Funds and Appendices B and B-1. It is a condition to the sale and delivery of the Series 2017 Bonds that NYSARC certify as of the dates of sale and delivery of the Series 2017 Bonds 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 DASNY and the Underwriter 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.

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The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by DASNY.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: /s/ Gerrard P. Bushell
Authorized Officer

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CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in the summaries of certain provisions of the Loan Agreement and the Resolutions, the following terms have the meanings ascribed to them below:

Act means the Dormitory Authority Act being Title 4 of Article 8 of the Public Authorities Law of the State, as amended, including without limitation by the Health Care Financing Consolidation Act, being Title 4–B of Article 8 of the Public Authorities Law of the State.

Annual Administrative Fee means the annual fee for the general administrative expenses of the Authority in the amount or percentage stated in the Loan Agreement relating to a Series of Bonds.

Applicable means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, Debt Service Reserve Fund, or any other fund or account therein, the fund or account so designated and established by an Applicable Series Resolution or Bond Series Certificate authorizing an Applicable Series of Bonds relating to a particular Project, (ii) with respect to any Debt Service Reserve Fund Requirement, the said requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iii) with respect to any Series Resolution, such Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project, (v) with respect to any Loan Agreement, such Loan Agreement by and between the Authority and NYSARC and the contractual obligations contained therein relating to a particular Series Resolution or a particular Project, (vi) with respect to a Bond Series Certificate, such certificate authorized pursuant to a particular Series Resolution, (vii) with respect to any Credit Facility, Liquidity Facility or Reserve Fund Facility and Provider thereof, if any, such Credit Facility, Liquidity Facility, Reserve Fund Facility or Provider relating to a particular Series of Bonds, and (viii) with respect to any other item or document, agreement or instrument, such other item or document, agreement or instrument relating to a particular Series of Bonds or a particular Loan Agreement.

Arbitrage Rebate Fund means with respect to each Series of Bonds the fund so designated and established pursuant to the Resolution.

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

Authority Fee means a fee payable to the Authority consisting of (a) all of the Authority's internal costs and overhead expenses attributable to the issuance of a Series of Bonds and the financing and construction of a Project, plus (b) a payment to be made upon the issuance of a Series of Bonds in an amount set forth in the Series Resolution, unless otherwise provided in the Series Resolution or a Bond Series Certificate relating to a Series of Bonds.

Authorized Newspaper means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Officer means (i) in the case of the Authority, the Chair, the Vice–Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, a Managing Director and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of NYSARC, when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of NYSARC to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, an Authorized Signatory, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

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

Bond Counsel means a law firm appointed by the Authority with respect to a Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under a Series Resolution, as it may be amended from time to time.

Bond Year means, unless otherwise stated in a Series Resolution, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds or Holder or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series.

Book Entry Bond means a Bond of a Series authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond.

Business Day shall mean any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed. With respect to Option Bonds or Variable Interest Rate Bonds of a Series, "Business Day" means any day that is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the Facility Provider of a Liquidity Facility for such Bonds is legally authorized to close in The City of New York.

Capitalized Interest Account means the Capitalized Interest Account, if any, within the Construction Fund authorized to be established pursuant to the Resolution and the Applicable Series Resolution or Bond Series Certificate with respect to a Series of Bonds.

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

Construction Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Contribution Amounts means amounts, if any, received by NYSARC and deposited in a Construction Fund or Debt Service Fund pursuant to the Applicable Loan Agreement. Such amounts shall constitute Revenues.

Cost or **Costs of Issuance** means the items of expense incurred in connection with the authorization, sale and issuance of Bonds of a Series, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, a Provider or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Credit Facility, a Liquidity Facility, a Reserve Fund Facility, an Interest Rate Exchange Agreement or a Remarketing Agreement, costs and expenses in connection with the refunding of Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a remarketing agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or **Costs of the Project** means when used in relation to a Project the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessarily or appropriately incurred in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights–of–way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which NYSARC shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse NYSARC or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on money borrowed from parties other than NYSARC), (viii) interest on the Bonds of a Series, bonds, notes or other obligations of the Authority issued to finance Costs of the Project that accrued prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of the Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project or pursuant hereto or to the Applicable Loan Agreement or Mortgage, or to a Credit Facility, a Liquidity Facility or a Remarketing Agreement in connection with Option Bonds or Variable Interest Rate Bonds.

Credit Facility means, with respect to a Series of Bonds, an irrevocable letter of credit (and any confirming letter of credit), surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement pursuant to which the Authority is entitled to obtain money to pay the principal and Sinking Fund Installments of and interest on particular Bonds whether or not the Authority is in default under the Resolution, which is issued or provided by:

(i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;

(ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;

(ii) the Government National Mortgage Association or any successor thereto;

(iv) the Federal National Mortgage Association or any successor thereto;

(v) a Federal Home Loan Bank; or

(vi) any other federal agency or instrumentality approved by the Authority.

Any such Credit Facility may also constitute a Liquidity Facility if it also meets the requirements of the definition of a Liquidity Facility contained in the Resolution.

Debt Service Fund means with respect to each Series of Bonds the fund so designated and established pursuant to the Resolution.

Debt Service Reserve Fund means the fund, if any, with respect to each Series of Bonds so designated and established by a Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund Requirement means with respect to the Series 2017A Bonds and the Series 2017B Bonds, respectively, the amount determined by a Bond Series Certificate or by a formula set forth in a Bond Series Certificate.

Defeasance Security means:

(i) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligation;

(ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and

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

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

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

Excess Earnings means, with respect to a Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Exempt Obligation means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "–" and numerical notation, no lower than the second highest rating category for such obligation by at least two Rating Services,

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

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

Federal Agency Obligation means:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

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

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Fixed Rate Bond means any Bond that is not a Variable Interest Rate Bond.

Government Obligation means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America is pledged;

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

(v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

Gross Proceeds means, with respect to any Series of Bonds, the interest on which is tax-exempt, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, if any, (v) securities or obligations pledged by the Authority or NYSARC as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Intercreditor Agreement means any intercreditor agreement, if any, among one or more Providers of a Credit Facility with respect to any Series of Bonds issued under the Resolution, the Trustee, the Authority and any creditors sharing in a parity lien or a subordinate lien on the Pledged Revenues, together with their successors and assigns, in connection with the rights and remedies of such parties in respect to the Applicable Loan Agreement, the Applicable Mortgage, the Applicable Mortgaged Property, the Applicable Pledged Revenues and certain other moneys held under the Resolution, as from time to time amended or supplemented.

Interest Rate Exchange Agreement means (i) an agreement entered into by the Authority or NYSARC in connection with the issuance of or which relates to Bonds of a Series which provides that during the term of such agreement the Authority or NYSARC is to pay to the counterparty thereto interest accruing at a fixed or variable rate per annum on an amount equal to a principal amount of such Bonds and that such counterparty is to pay to the Authority or NYSARC an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds at a fixed or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement or (ii) an interest rate cap agreement, an interest rate floor agreement, an interest rate collar agreement and any other interest rate related hedge agreement or arrangement relating to Bonds of a Series.

Investment Agreement means a repurchase agreement or other agreement for the investment of money with a Qualified Financial Institution.

Liquidity Facility means, with respect to a Series of Bonds, an irrevocable letter of credit (and any confirming letter of credit), a surety bond, a loan agreement, a standby purchase agreement, a line of credit or other agreement or arrangement pursuant to which money may be obtained upon the terms and conditions contained therein for the purchase of such Bonds tendered for purchase in accordance with the terms of a Series Resolution authorizing such Bonds or a Bond Series Certificate relating to such Bonds, which is issued or provided by:

(i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a savings and loan association;

(ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;

(iii) the Government National Mortgage Association or any successor thereto;

(iv) the Federal National Mortgage Association or any successor thereto;

(v) a Federal Home Loan Bank; or

(vi) any other federal agency or instrumentality approved by the Authority.

Loan Agreement means, with respect to any Series of Bonds, the Applicable Loan Agreement, between the Authority and NYSARC in connection with the issuance of a Series of Bonds, as the same from time to time shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

Maximum Interest Rate means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bond as the maximum rate at which such Bond may bear interest at any time.

Minimum Interest Rate means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bonds as the minimum rate at which such Bond may bear interest at any time.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Mortgage means all mortgages, if any, or modifications or amendments thereto granted by NYSARC (or a party related to NYSARC) to the Authority in connection with a particular Project pursuant to the Applicable Loan Agreement, in forms and substance satisfactory to the Authority and the Applicable Provider of a Credit Facility, if any, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of NYSARC's obligations under the Applicable Loan

Agreement, as such Mortgage may be amended or modified from time to time as provided for therein or in the Applicable Loan Agreement.

Mortgaged Property means the land described in a Mortgage and the buildings and improvements thereon or hereinafter erected thereon and the fixtures, furnishings and equipment owned or leased by NYSARC and now or hereafter located therein or thereon, as from time to time amended, supplemented or otherwise modified.

OPWDD means the New York State Office for People With Developmental Disabilities (formerly known as the Office of Mental Retardation and Developmental Disabilities), any successor or assign.

OPWDD Revenues means all Public Funds payable by OPWDD to the Authority pursuant to the Applicable Loan Agreement executed in connection with the Bonds of a Series.

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

Outstanding, when used in reference to Bonds of a Series, means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under a Series Resolution except:

(i) any Bond canceled by the Trustee at or before such date;

(i) any Bond deemed to have been paid in accordance with the terms of the Resolution;

(iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and

(iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bond on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bond.

Parity Indebtedness means any indebtedness issued by NYSARC or any other issuer on behalf of NYSARC to the extent permitted pursuant to a Series Resolution and secured equally and ratably by the Applicable Mortgaged Property and/or the Applicable Pledged Revenues.

Participating Chapter means a chapter of NYSARC listed in the Loan Agreement, as such list may be amended or supplemented from time to time.

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

Permitted Collateral means:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligation:

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligation;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category; and

(v) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged.

Permitted Encumbrances means, when used with respect to a Project or any component thereof, any of the following:

(i) The lien of taxes and assessments which are not delinquent;

(ii) The lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited;

(iii) Minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(iv) Easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held;

(v) The Loan Agreement, the Resolution and any instrument recorded pursuant thereto;

(vi) Any other encumbrances or matters set forth in the Loan Agreement with respect to such Project; and

(vii) Such other liens, encumbrances, defects, and irregularities which exist on the date of the delivery of the Loan Agreement and are not expressly prohibited thereby or by the terms of any agreement securing a Credit Facility, and such other liens as may thereafter exist that are expressly permitted by any such agreement or to which the Provider or, if there is no Credit Facility with respect to the Bonds at that time, the Authority has given its prior written consent.

Permitted Investments means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one Rating Services in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;

(vi) commercial paper issued by a domestic corporation rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase;

(vii) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;

(viii) any Investment Agreement that is fully collateralized by Permitted Collateral; and

(ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated in the highest short term rating category by at least one Rating Service.

Pledged Revenues means all Public Funds, all moneys apportioned or otherwise payable to NYSARC, for the sole benefit of the State Office or on behalf of any of the Participating Chapters, by the federal government, receipts, revenues, income, gifts, grants, assistance, bequests and other moneys received by NYSARC, for the sole benefit of the State Office or on behalf of a Participating Chapter, including all rights to receive the same whether in the form of accounts receivable, lease payments or other 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 of the Participating Chapters that are subject to restrictions upon the use thereof that are inconsistent with the use thereof for the purposes contemplated by the Loan Agreement and by the Resolution and the Series 2017 Resolutions, and the income thereon to the extent that said income is so restricted as to use.

Prior Pledges means, with respect to a Series of Bonds, the liens, pledges, charges, encumbrances and security interests made and given by NYSARC to secure prior obligations incurred by NYSARC, the maintenance of which shall have been approved by the Authority.

Project means a "dormitory" as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of a Series of Bonds, as more particularly described in the Resolution, in or pursuant to a Series Resolution or in or pursuant to a Bond Series Certificate.

Provider means the issuer or provider of a Credit Facility, a Liquidity Facility or Reserve Fund Facility and as otherwise defined in a Series Resolution with respect to a Series of Bonds. With respect to drawings under a Credit Facility, a Liquidity Facility or a Reserve Fund Facility that is a letter of credit confirmed by a standby confirming letter of credit, "Provider" includes the issuer or provider of the standby confirming letter of credit.

Provider Payments means the amount, certified by a Provider to the Trustee, payable to such Provider by NYSARC on account of amounts advanced by it under a Credit Facility, a Liquidity Facility or Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto.

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

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; ***provided, however,*** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; ***provided, however,*** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; ***provided, however***, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

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

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

Rating Service(s) means each of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch Ratings, or their respective successors and assigns, in each case, which has, at the time of reference, assigned a rating to Outstanding Bonds at the request of the Authority.

Record Date means, with respect to the Series 2017 Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

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

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

Remarketing Agent means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or Bond Series Certificate relating to such Option Bonds.

Remarketing Agreement means, with respect to Option Bonds of a Series, an agreement either between the Authority and the Remarketing Agent, or among the Authority, NYSARC and the Remarketing Agent, relating to the remarketing of such Bonds.

Reserve Fund Facility means a surety bond, insurance policy, letter of credit (and any confirming letter of credit) or other financial guaranty or instrument, authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund, to be delivered in lieu of or substitution for all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means the NYSARC, Inc. Revenue Bond Resolution, adopted by the Authority March 25, 2009, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority that pursuant to the Applicable Loan Agreement, except as provided in the Applicable Intercreditor Agreement, if any, are required to be paid to the Trustee for such Series of Bonds (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund or any fund or account established solely for purposes of making payments to reimburse a Provider of a Credit Facility or Liquidity Facility).

S&P means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, and its successors and assigns.

Serial Bonds means the Bonds so designated in a Series Resolution or a Bond Series Certificate.

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

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

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation:

(i) when used with respect to any Bonds of such Series, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required by the Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable Bond Series Certificate relating thereto to be paid on a single future July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future July 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment; and

(ii) when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as such Bonds are Outstanding, the amount of money required by the Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable Bond Series Certificate relating thereto to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Interest Rate Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

State means the State of New York.

State Office means the corporate administrative body of NYSARC that provides oversight of the Participating Chapters and other chapters as such term is referred to in the "NYSARC, Inc. State Office, Chapters and their Affiliates Combined Financial Statements as of December 31, 2013 Together with Accountants' Compilation Report" prepared by NYSARC's certified public accountants and consultants.

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

Tax Certificate means, with respect to any Series, the certificate of the Authority and NYSARC or agreement entered into by the Authority and NYSARC, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Bonds of such Series in which the Authority makes representations and agreements as to arbitrage and compliance with the provisions of Sections 141 through 150, inclusive, of the Code, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

Term Bonds means, with respect to a Series of Bonds, the Bonds so designated in a Series Resolution or a Bond Series Certificate and payable from Sinking Fund Installments.

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to a Series Resolution or Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for therein with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant thereto.

Variable Interest Rate means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing or determining such interest rate or rates specified in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds and which shall be based on:

(i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times;

(ii) a determination of the lowest interest rate as would enable the Remarketing Agent, under prevailing financial market conditions for obligations of the same general nature of the Bonds in question and that are comparable to the Bonds in question in terms of credit and maturity or tender dates, to remarket such Bonds at a price of par, plus accrued interest, if any; or

(iii) a stated interest rate that may be changed from time to time as provided in such Series Resolution or Bond Series Certificate;

provided, however, that in each case such variable interest rate may be subject to a Maximum Interest Rate and/or a Minimum Interest Rate as provided in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating thereto, and that Series Resolution or Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

Variable Interest Rate Bond means any Bond of a Series which bears a Variable Interest Rate; ***provided, however,*** that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

NYSARC, INC. CHAPTERS AND THEIR AFFILIATES
COMBINED FINANCIAL STATEMENTS AS OF
AND FOR THE YEAR ENDED DECEMBER 31, 2015
TOGETHER WITH ACCOUNTANTS' COMPILATION REPORT

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Bonadio & Co., LLP
Certified Public Accountants

ACCOUNTANT'S COMPILATION REPORT

October 4, 2016

To the Board of Governors of
NYSARC, Inc.:

Management is responsible for the accompanying combined financial statements of NYSARC, Inc. State Office, Chapters and their Affiliates, which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the combined financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in Exhibits I, II, and III is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

Bonadio & Co., LLP

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NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(See Accountant's Compilation Report)

ASSETS	
CURRENT ASSETS:	
Cash and equivalents	$ 190,839,374
Investments	208,636,610
Current portion restricted deposits and funded reserves	908,965
Government receivables, net	207,238,525
Other receivables, net	8,969,882
Inventories	14,502,526
Prepaid expenses and other assets	16,426,929
Deposits	2,286,377
Total current assets	649,809,188
PROPERTY, PLANT AND EQUIPMENT:	
Land	91,766,982
Buildings and leasehold improvements	794,310,244
Furniture, fixtures, and equipment	173,300,706
Vehicles	108,727,279
Construction-in-progress	7,027,104
	1,175,132,315
Less: Accumulated depreciation	(732,391,816)
Total property, plant and equipment	442,740,499
OTHER ASSETS:	
Restricted deposits and funded reserves, net of current portion	24,317,769
Deferred charges	2,399,740
Participant funds and other noncurrent assets	25,769,704
Financing fees, net	3,571,547
Net investments in affiliates	17,632,770
Total other assets	73,691,530
	$ 1,166,241,217

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Current installments of long-term debt	$ 35,167,653
Notes payable	16,263,212
Accounts payable	52,209,432
Accrued expenses and taxes	134,486,573
Current portion of amounts due to governmental agencies	34,994,552
Current portion of deferred revenue and refundable advances	10,570,092
Other current liabilities	15,941,160
Total current liabilities	299,632,674
LONG-TERM DEBT, net of current portion	196,770,681
OTHER NONCURRENT LIABILITIES:	
Due to governmental agencies, net of current portion	2,102,301
Deferred revenue and refundable advances, net of current portion	19,196,052
Participant funds and other noncurrent liabilities	37,234,701
Total other noncurrent liabilities	58,533,054
Total liabilities	554,936,409
NET ASSETS:	
Unrestricted	592,377,821
Temporarily restricted	16,341,848
Permanently restricted	2,585,139
Total net assets	611,304,808
	$ 1,166,241,217

See accompanying notes and accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)

UNRESTRICTED NET ASSETS:	
Revenue and support -	
Program revenue	$ 1,703,836,419
Non-program revenue	52,686,841
Fundraising	4,531,048
Other support	7,320,587
Capital additions revenue	91,974
Realized and unrealized loss on investments, net	(6,059,624)
Net assets released from restrictions	2,159,920
Total revenue and support	1,764,567,165
Expenses -	
Program services	1,585,492,797
Management and general	155,927,415
Fundraising	4,076,059
Other operating expenses	2,029,467
Total expenses	1,747,525,738
Increase in unrestricted net assets	17,041,427
TEMPORARILY RESTRICTED NET ASSETS:	
Contributions, grants, etc.	1,792,802
Interest income, net	(1,495)
Other	182,595
Net assets released from restrictions	(2,159,920)
Decrease in temporarily restricted net assets	(186,018)
PERMANENTLY RESTRICTED NET ASSETS:	
Contributions	8,758
Other	24,339
Increase in permanently restricted net assets	33,097
CHANGE IN NET ASSETS	16,888,506
NET ASSETS - beginning of year (as originally reported)	593,880,433
PRIOR PERIOD ADJUSTMENT	535,869
NET ASSETS - beginning of year (as restated)	594,416,302
NET ASSETS - end of year	$ 611,304,808

See accompanying notes and accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	$ 16,888,506
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation and amortization	56,386,844
Realized and unrealized loss on investments, net	6,059,624
Gain on sales or dispositions of assets, net	(333,341)
Bad debt expense	1,859,179
Other	(230,401)
Changes in:	
Receivables	9,376,187
Inventories	93,010
Prepaid expenses and other assets	1,138,506
Deposits	475,538
Deferred charges	316,647
Accounts payable	3,311,485
Accrued expenses and taxes	(779,887)
Due to governmental agencies	5,113,995
Deferred revenue, refundable advances and other liabilities	7,318,189
Net cash flow from operating activities	106,994,081
CASH FLOW FROM INVESTING ACTIVITIES:	
Proceeds from the sale of property, plant and equipment	1,354,721
Purchases of property, plant and equipment	(45,263,307)
Purchase of investments	(58,214,139)
Proceeds from sales of investments	50,906,839
Change in limited use reserves and deposits refunded	612,030
Other investing activities	(3,089,802)
Net cash flow from investing activities	(53,693,658)
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	20,963,153
Repayment of long-term debt	(40,767,325)
Proceeds from notes payable	128,385,975
Repayment of notes payable	(134,360,470)
Other financing activities	280,881
Net cash flow from financing activities	(25,497,786)
CHANGE IN CASH AND EQUIVALENTS	27,802,637
CASH AND EQUIVALENTS - beginning of year	163,036,737
CASH AND EQUIVALENTS - end of year	$ 190,839,374

See accompanying notes and accountant's compilation report.

1. THE ORGANIZATION

NYSARC, Inc. (NYSARC) is a membership corporation composed of 48 Community Chapters and their affiliates and 6 Developmental Center Chapters (the Chapters) located throughout New York State. NYSARC is governed by a Board of Governors that consists of at least one Governor per Chapter to a maximum of six based on NYSARC membership in the Chapter. The Chapters are unincorporated divisions of NYSARC granted geographic jurisdiction and operating authority by the Board of Governors that provide assistance to persons with intellectual and other developmental disabilities through program services, education and guardianship. NYSARC also fosters research and helps individuals and organizations working with persons with intellectual and other developmental disabilities, while disseminating information to develop a better understanding of and opportunities for persons with intellectual and other developmental disabilities.

NYSARC, Inc. State Office (State Office) is NYSARC's central office that provides oversight responsibilities, on behalf of NYSARC's Board of Governors. The State Office provides the Chapters with technical and financing assistance and advocates on their behalf with New York State funding sources and legislative bodies. The State Office receives the majority of its support from administrative charges assessed on the Chapters.

The Chapters operate programs providing services that include, but are not limited to, sheltered workshop, residential, day treatment, family support, transportation, and respite programs. Developmental Centers advocate for persons that reside or formerly resided in State institutions.

The Chapters receive their revenues primarily by providing the services outlined above through licensed programs certified by New York State Office for People With Developmental Disabilities (OPWDD), Office of Mental Health, State Education Department, and Department of Health.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the separate financial statements of the State Office and the Community Chapters and their affiliates. On a combined basis, the entities included in these combined financial statements are referred to as "NYSARC." The 6 Developmental Center Chapters are not included because they do not provide program services. All significant intercompany accounts and transactions between the State Office and the Chapters and between the Chapters and their affiliates have been eliminated. Substantially all of the components of NYSARC maintain their books and records on a calendar year, except for the State Office whose year end is May 31 and the New York City Chapter and its affiliates whose year end is June 30. The State Office and the New York City Chapter and its affiliates have been included in the combined financial statements utilizing their financial statements for their respective fiscal years ended in 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting
The combined financial statements of NYSARC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Financial Reporting
NYSARC reports its activities and related net assets using the following net asset categories:

- **Unrestricted**
  Unrestricted net assets include resources available for the support of NYSARC's operating activities. In addition, they include NYSARC's net investment in fixed assets and other sources designated by the Board of Governors for specific purposes.

- **Temporarily Restricted**
  Temporarily restricted net assets include resources that have been donated to NYSARC subject to restrictions as defined by the donor. These assets are restricted for use in various programs as of December 31, 2015.

- **Permanently Restricted**
  Permanently restricted net assets have been contributed to NYSARC with the stipulation by the donor that the principal is to remain in perpetuity.

Fair Value of Financial Instruments
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 2 inputs consist of other observable inputs other than active markets.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments are stated at fair value, based on quoted market prices or based on quoted market prices of securities with similar characteristics, as discussed in footnote 4.

NYSARC has financial instruments in the accompanying combined statement of financial position, including cash and equivalents, investments, and debt. The carrying amount for cash and equivalents and certificates of deposit approximates fair value due to the short-term nature of these instruments and is considered to be a level 1 measurement. The carrying amount of debt approximates fair value based on current rates at which the Chapters could borrow funds with similar remaining maturities and is determined to be a level 2 measurement. Investments are stated at fair value (see footnote 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment
Some of the Chapters have endowment funds that were established by the contributions from donors and consist entirely of permanently restricted investments, as well as endowment funds that were established by the Boards of those Chapters. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The governing board of NYSARC has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends).

Revenue Recognition
Program revenues are recognized at approved rates when services are rendered. These rates are primarily cost based as determined by allowable expenditures in rate-setting periods. Costs are subject to audit by third-party payers and changes, if any, are recognized in the year known. Contract sales are recognized as goods are shipped or as services are performed. Participant fees represent the participants' personal contribution towards the cost of goods and services provided by the Chapters. These charges are regulated by Federal and State law.

Cash and Equivalents
Cash and equivalents consist of bank demand deposit accounts and money market accounts which, at times, may exceed federally insured limits. NYSARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

Government and Other Receivables
NYSARC provides services that are paid for by third-party payers. Accounts for which no payments have been received for several months are considered delinquent and the account is written-off when customary collection efforts are exhausted. NYSARC records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts at December 31, 2015 is approximately $8,600,000 and is based on NYSARC's past experience and a periodic review of outstanding accounts.

Investments
Substantially all investments are stated at fair value. NYSARC invests in various types of investment securities, U.S. government obligations, and corporate bonds. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the accompanying combined financial statements.

Inventories
Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property, Plant and Equipment and Depreciation
Property, plant and equipment are stated at cost if purchased or the fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from two (2) to fifty (50) years. Depreciation expense was approximately $56,000,000 for the year ended December 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financing Fees
Financing fees consist of loan issuance costs associated with various mortgage closings that are being amortized on a straight-line basis over the terms of the related debt agreements. Accumulated amortization was approximately $6,300,000 at December 31, 2015. Amortization of financing fees was approximately $300,000 for the year ended December 31, 2015. Estimated amortization expense for the next five years is approximately $500,000 per year.

Net Investments in Affiliates
NYSARC has recognized 100% of its equity interest in the net assets of its affiliates, which are separately incorporated entities, whose purpose is to promote and support the activities of the respective Chapters.

Income Taxes
NYSARC is a New York not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. NYSARC has also been classified by the Internal Revenue Code as an entity that is not a private foundation. The Chapters' affiliates are exempt from income taxes under Section 501(c)(3) or 501(c)(2) of the Internal Revenue Code.

At June 30, 2015, an affiliate of the New York City Chapter had Federal and New York State net operating loss carryforwards from unrelated business activities of approximately $4,400,000 that expire at various dates through 2035. A valuation allowance has been established to offset the entire potential tax benefit associated with the operating loss carryforwards and all other temporary differences, as it is uncertain if the future tax benefit will be realized.

Estimates
The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

3. PRIOR PERIOD ADJUSTMENT

One of the chapters reported changes to their beginning net assets totaling approximately $536,000.

4. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2015:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Cash and equivalents	$ 8,865,919	$ 9,531,799	$ -	$ 18,397,718
Mutual funds	105,341,636	1,998,133	-	107,339,769
U.S. government obligations	8,041,843	11,877,326	-	19,919,169
Bonds	7,737,361	14,191,598	-	21,928,959
Stock	39,375,677	62,214	-	39,437,891
Investment in community foundation	-	1,584,876	-	1,584,876
Limited liability company	-	-	28,228	28,228
	$ 169,362,436	$ 39,245,946	$ 28,228	$ 208,636,610

The measurement of the fair value of the investments listed above using level 1 inputs considered observable data that is based on the quoted market prices of the shares held at year-end. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, discounted cash flows or the percentage of the fair value of underlying investments and are classified as level 2. The value of the investments using level 3 inputs equals the equity balance in a limited liability company, which approximates the fair value.

The valuation methodologies described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While NYSARC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at December 31, 2015.

There were no changes in the valuation techniques during 2015.

The fair value of the level 3 investments changed as follows for the year ended December 31, 2015:

	Limited Liability Company
Equity balance at January 1, 2015	$ 30,128
Share of income items	5,520
Share of other deductions	(746)
Capital contribution	(886)
Cash distributions	(5,788)
Equity balance at December 31, 2015	$ 28,228

5. INVESTMENTS

Investments consist of the following at December 31, 2015:

Cash and equivalents	$ 18,397,718
Mutual funds	107,339,769
U.S. government obligations	19,919,169
Bonds	21,928,959
Stock	39,437,891
Investment in Community Foundation	1,584,876
Limited liability company	28,228
	$ 208,636,610

Interest and dividend income is included in non-program revenue in the accompanying combined statement of activities and change in net assets. Total net investment income consisted of the following for the year ended December 31, 2015:

Interest and dividends	$ 3,687,799
Investment fees	(232,662)
Realized and unrealized gains, net	(6,059,624)
	$ (2,604,487)

6. ENDOWMENT

Endowment net asset composition as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 4,739,922	$ 26,241	$ 2,552,042	$ 7,318,205
Contributions	159,545	-	8,758	168,303
Investment income (loss), net	(43,162)	(1,307)	24,339	(20,130)
Appropriated for expenditure	(75,950)	-	-	(75,950)
Endowment net assets, end of year	$ 4,780,355	$ 24,934	$ 2,585,139	$ 7,390,428

Interpretation of Relevant Law

Each individual Chapter has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends) and income is classified as temporarily restricted, if applicable, until appropriated by the Boards for expenditure.

6. ENDOWMENT (Continued)

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for-Profit Corporation Law. There were no such deficiencies as of December 31, 2015.

Return Objectives, Risk Parameters, Spending Policy and Strategies Employed for Achieving Objectives
Each individual Chapter of NYSARC, which has an endowment fund, has established its own investment policy for endowment funds. These investment policies may include the establishment of a risk return objective, risk parameters, a spending policy or a strategy for achieving long-term rate objectives.

7. FINANCING ARRANGEMENTS

Long-Term Debt

Mortgages and other financing arrangements with state and local government agencies including, but not limited to, the Medical Care Facilities Finance Agency, Local Industrial Development Agencies, New York State Urban Development Corporation, and the New York State Dormitory Authority, payable in monthly and semi-annual installments, including interest ranging from 1.25% to 7.82%, maturing at various dates through 2039, collateralized by specific real property, accounts receivable and revenues related to the real property.	$ 148,062,164
Mortgages due to United States Department of Housing and Urban Development, payable in monthly installments, including interest ranging from 8.38% to 9.25%, maturing at various dates through 2032, collateralized by specific real property.	3,428,090
Mortgages due to various banks and other lending institutions, payable in monthly and semi-annual installments including interest ranging from 0.89% to 10.75%, maturing at various dates through 2033, collateralized by specific real property.	57,285,642
Other term loans due to various banks and other lending institutions, payable in monthly installments, including interest ranging from 0.00% to 10.49%, maturing at various dates through 2023, collateralized by equipment, vehicles and other specific assets.	23,162,438
	$ 231,938,334

7. FINANCING ARRANGEMENTS (Continued)

Maturities of long-term debt are as follows:

2016	$ 35,167,653
2017	31,121,093
2018	27,797,289
2019	20,016,517
2020	17,812,157
Thereafter	100,023,625
	$ 231,938,334

Notes Payable
NYSARC has agreements with various banks for lines-of-credit. Interest on the lines-of-credit range from less than prime rate to prime plus 1.5%. The lines are secured by receivables and other assets. The total potential borrowing under these lines-of-credit is approximately $156,000,000 of which approximately $19,600,000 is outstanding at December 31, 2015. A total of $3,300,000 of the outstanding balance is included with long-term debt, because it will be or has been converted to term notes.

Debt Covenants
In connection with its financing arrangements, NYSARC and the Chapters are subject to various debt covenants. As of December 31, 2015, NYSARC and the Chapters were in compliance with these covenants.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid during 2015 under the terms of all financing arrangements and interest expense for the year ended December 31, 2015 was approximately $11,500,000.

9. OPERATING LEASES

NYSARC leases vehicles, equipment and facilities under noncancellable lease agreements. Rent expense under these leases was approximately $38,700,000 during 2015. Future minimum rental payments under these lease agreements are as follows:

2016	$ 32,627,442
2017	24,535,282
2018	19,358,497
2019	13,445,737
2020	9,040,986
Thereafter	30,838,959
	$ 129,846,903

10. RETIREMENT PLANS

NYSARC has adopted numerous retirement plans covering its employees. These plans include defined contribution, defined benefit and tax-deferred annuity plans. Total pension expense incurred by the State Office and the Chapters was approximately $22,700,000 for the year ended December 31, 2015.

The following information sets forth the funded status of the Defined Benefit Plans and amounts recognized in the NYSARC financial statements at December 31, 2015:

Projected benefit obligation	$(30,461,367)
Fair value of plan assets	20,180,459
Funded status	$(10,280,908)
Employer contributions	$ 176,813
Benefits paid	$1,041,681

As of December 31, 2015, the following amounts were recognized in the combined statement of financial position:

As a current liability	$ 221,121
As a non-current liability	10,059,787
	$ 10,280,908

Amounts recognized in the combined statement of activities and change in net assets consists of the following:

Net periodic benefit cost/expense	$563,465

Significant actuarial assumptions used in the pension valuations are as follows:

Discount rates ranged from	4.21% - 4.27%
Projected rate of increase in compensation levels	N/A
Expected long-term rate of return on plan assets ranged from	7.00% - 7.50%

Fair value of the plan assets are as follows as of December 31, 2015:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money market funds	$ 683,710	$ -	$ -	$ 683,710
Mutual funds	17,439,305	-	-	17,439,305
Exchange traded funds	802,003	-	-	802,003
Corporate bonds	-	230,906	-	230,906
Government obligations	1,024,535	-	-	1,024,535
	$ 19,949,553	$ 230,906	$ -	$ 20,180,459

Estimated future benefit payments are expected as follows:

2016	$ 1,174,000
2017	$ 1,171,000
2018	$ 1,207,000
2019	$ 1,241,000
2020	$ 1,276,000
Succeeding five years	$ 7,550,000

11. POSTEMPLOYMENT BENEFIT PLANS

NYSARC has several postemployment benefit plans. The total post employment benefit expense incurred by the State Office and the Chapters was approximately $400,000 for the year ended December 31, 2015.

12. COMMITMENTS AND CONTINGENCIES

Service providers that are funded by Medicaid and OPWDD have become the subject of increased scrutiny with respect to reimbursements they have received for service provision. Specific areas often reviewed by Medicaid and OPWDD auditors include appropriate billing practices, technical regulatory compliance, etc. The stated purpose for these reviews is to recover inappropriate reimbursements. The Chapters are subject to these reviews and rate adjustments that may have an effect on the revenues and net asset balances of the Chapters. Management of the Chapters does not expect these adjustments, if any, to have a material effect on these or their individual financial statements.

Some of the Chapters are involved in lawsuits related to employment issues and injuries sustained on Chapter program properties. All such lawsuits appear to be adequately covered by insurance; however, the amount of awards and judgments cannot be determined at this time.

NYSARC by virtue of its corporate structure and relationship to the Chapters, holds title as nominee to various Chapter assets and is directly obligated under certain of the related Chapter mortgage agreements and, accordingly, NYSARC, including the State Office, could be contingently liable in the event of default. Additionally, many of the Chapters have established holding companies, which hold title to property. Some of these affiliates, but not all, have related mortgage and lease obligations to which NYSARC could also be contingently liable in the event of default on those mortgages.

Several Chapters are or have been participants in self-insurance trusts (Trusts) with other unrelated not-for-profit organizations that provide workers' compensation benefits. Under the terms of the Trusts, the Chapters make annual contributions to the Trusts based on reported wages paid to the employees, using a rate-based formula. Based on actual claim experience, the Chapters could receive refunds or be assessed additional amounts related to workers' compensation premiums. Under the Trust agreements, each participating organization has joint and several liability for Trust obligations.

Several Chapters have entered into contracts and committed resources to the acquisition of property for program services. This is part of the on-going program development in which the Chapters are engaged.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Several Chapters are participants in the Dormitory Authority of the State of New York (DASNY) bond program. Prior to the 2009A series bonds, security for the tax-exempt bonds was the pledged revenue of the participating Chapters and for individual loans in excess of $3 million a mortgage on the financed property was given. For the 2009A and subsequent bond series, in addition to pledging revenues, participating Chapters were required to mortgage all real property associated with the financed projects. Pledged revenues consist of all public funds, payable to NYSARC and its participating Chapters, by the federal government, receipts, revenues, income, gifts, grants, assistance, bequests, and other monies; whether now owned or to be received in the future while these bonds are outstanding; excluding any gifts, grants, or bequests received subject to restrictions upon the use that is inconsistent with the pledging of said amounts as collateral.

Furthermore, on behalf of the participating Chapters, NYSARC has entered into an agreement with DASNY to permit DASNY to execute a certificate of Medicaid receipts intercept with OPWDD in the event of default on the bonds. As of December 31, 2015, DASNY has not issued such a certificate to OPWDD.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2016, which is the date the combined financial statements were issued.

Exhibit I

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(See Accountant's Compilation Report)

	Total	Eliminations	Office	Allegany	Broome-Tioga	Cattaraugus	Chautauqua	Chemung	Chenango	Clinton	Columbia	Delaware
ASSETS												
CURRENT ASSETS:												
Cash and equivalents	$ 190,639,374	$ -	$ 1,050,475	$ 334,486	$ 2,140,193	$ 3,300,235	$ 20,554	$ 2,049,000	$ 503,392	$ 2,400,030	$ 949,947	$ 2,352,043
Investments	208,030,010	-	3,858,524	1,490,040	1,298,040	1,011,900	1,551,849	1,253,207	2,224,089	3,075,721	1,113,549	9,081,370
Current portion restricted deposits and funded reserves	908,965	-	-	-	-	-	-	-	-	-	-	-
Government receivables, net	207,238,526	-	-	1,311,645	2,872,192	2,458,364	14,057,500	1,712,450	349,177	2,234,218	2,215,688	1,266,755
Other receivables, net	8,060,982	-	283,723	1,284,687	34,418	-	54,238	-	998,771	-	254,709	-
Inventories	14,602,626			3,017,706	61,070	12,331	3,564,377	23,838	257,072	198,176	300,782	236,968
Prepaid expenses and other assets	16,426,929	(69,061)	69,061	180,056	72,077	56,125	891,924	46,143	-	116,900	137,255	99,937
Deposits	2,286,377							1,630,007	90,541			
Total current assets	649,009,108	(69,061)	5,261,783	7,620,000	6,400,298	7,440,951	20,040,242	7,314,655	4,420,542	9,075,302	5,071,020	13,617,379
PROPERTY, PLANT AND EQUIPMENT:												
Land	61,766,082		33,160	281,224	1,177,014		510,600	237,370	423,110	2,612,510	661,308	167,600
Buildings and leasehold improvements	704,310,244		665,098	5,627,690	14,913,680	1,318,606	31,026,961	8,023,780	9,160,776	16,802,133	16,110,561	5,461,526
Furniture, fixtures and equipment	173,300,706		1,531,173	1,906,172	1,907,082	700,089	10,071,300	716,640	3,316,043	3,030,080	8,012,903	3,601,360
Vehicles	108,727,279	-	32,237	2,209,503	2,771,384	-	1,549,091	931,182	591,000	4,798,247	-	-
Construction-in-progress	7,027,104	-	-	-	-	-	274,157	-	-	332,046	21,950	-
	1,175,132,315	-	2,170,667	10,013,629	20,670,960	2,147,593	44,332,302	9,937,981	13,490,943	27,566,016	24,818,743	9,323,494
Less: Accumulated depreciation	(732,391,810)	-	(1,913,796)	(7,897,119)	(12,150,172)	(1,792,294)	(32,806,304)	(7,581,601)	(8,090,933)	(16,758,224)	(17,409,403)	(6,646,387)
Total property, plant and equipment	442,740,409		256,871	2,116,510	8,520,788	356,299	11,166,008	2,356,380	5,304,010	10,807,792	7,409,340	2,677,107
OTHER ASSETS:												
Restricted deposits and funded reserves, net of current portion	24,317,709	-	2,204,277	6,750	87,445	100,000	851,018	546,170	-	597,707	45,435	-
Deferred charges	2,399,740	-	-	-	-	-	-	30,005	-	-	-	-
Participant funds and other noncurrent assets	25,769,704	-	2,209,400	115,860	964,471	404,604	-	25,000	-	-	133,943	-
Financing fees, net	3,571,547	-	-	3,662	36,415	-	56,653	-	-	-	-	-
Net investments in affiliates	17,632,770	-	-	-	-	257,948	-	-	-	-	-	-
Total other assets	73,691,530		4,413,677	126,272	1,008,331	762,552	917,671	601,175		597,707	179,378	
	$ 1,166,241,217	$ (69,061)	$ 9,932,331	$ 9,862,790	$ 16,099,415	$ 8,557,802	$ 32,424,911	$ 10,272,210	$ 9,614,552	$ 19,483,861	$ 12,659,738	$ 16,294,486
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES:												
Current installments of long-term debt	$ 35,167,653	$ -	$ 50,955	$ 192,174	$ 447,772	$ 32,730	$ 702,818	$ 298,938	$ 140,109	$ 503,021	$ 928,432	$ 128,654
Notes payable	16,263,212	-	-	992,926	-	-	1,409,571	-	750,000	462,965	-	-
Accounts payable	52,209,432	-	295,350	1,222,406	349,469	148,393	3,891,814	341,649	127,137	1,940,066	484,112	167,002
Accrued expenses and taxes	134,408,573	-	403,134	753,953	670,453	3,511	-	1,557,559	206,131	1,025,000	661,156	362,399
Current portion of amounts due to governmental agencies	34,994,552	-	-	-	460,472	160,206	-	305,002	-	47,105	214,103	-
Current portion of deferred revenue and refundable advances	10,570,062	-	18,790	319,764	109,760	-	-	-	96,000	35,876	-	-
Other current liabilities	16,041,160	(69,061)		102,699		303,301	12,158,083					
Total current liabilities	299,032,074	(69,061)	772,229	3,583,914	2,325,920	646,231	18,403,180	2,509,228	1,389,407	4,814,001	2,507,903	658,055
LONG-TERM DEBT, net of current portion	196,770,681	-	135,724	322,623	2,221,830	55,063	4,344,456	789,732	740,770	1,261,965	4,849,233	958,281
OTHER NONCURRENT LIABILITIES:												
Due to governmental agencies, net of current portion	2,102,301					73,647	2,125					
Deferred revenue and refundable advances, net of current portion	19,190,052	-	-	-	-	-	-	-	-	-	-	-
Participant funds and other noncurrent liabilities	37,234,701	-	4,121,637	317,412	953,201	404,604	970,002	-	453,020	484,562	73,042	-
Total other noncurrent liabilities	58,533,054	-	4,121,037	317,412	953,201	478,251	973,227	-	403,520	404,562	73,042	-
Total liabilities	554,936,409	(69,061)	5,029,590	4,223,949	5,500,957	1,191,545	23,780,869	3,299,960	2,583,707	6,540,548	7,430,378	1,616,336
NET ASSETS:												
Unrestricted	592,377,021	-	4,099,204	5,630,041	10,422,311	7,110,309	8,335,083	6,979,250	7,230,555	12,911,273	5,229,860	14,670,150
Temporarily restricted	10,541,848	-	3,537	-	170,147	257,948	308,959	-	-	15,101	-	-
Permanently restricted	2,585,139	-	-	-	-	-	-	-	-	12,959	-	-
Total net assets	611,504,808	-	4,902,741	5,638,841	10,598,458	7,370,257	8,644,042	6,979,250	7,230,555	12,945,333	5,229,860	14,673,150
	$ 1,166,241,217	$ (69,061)	$ 9,932,331	$ 6,862,790	$ 16,099,415	$ 8,557,602	$ 32,424,911	$ 10,272,210	$ 9,614,552	$ 19,483,861	$ 12,659,738	$ 16,294,486

See accountant's compilation report
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NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Dutchess	Erie	Essex	Franklin-Hamilton	Fulton	Genesee	Herkimer	Jefferson	Livingston-Wyoming	Madison-Cortland	Monroe	Montgomery
ASSETS												
CURRENT ASSETS:												
Cash and equivalents	$ 923,061	$ 2,344,821	$ 5,692,680	$ 1,269,896	$ 6,162,949	$ 1,449,499	$ 1,862,801	$ 10,652,822	$ 2,477,274	$ 2,441,295	$ 4,382,520	$ 2,512,999
Investments	277,390	867,074	14,019,087	-	4,384,985	980,336	787,961	19,441,785	380,897	237,273	4,110,094	36,640,000
Current portion restricted deposits and funded reserves	-	-	-	-	-	-	-	-	-	-	-	-
Government receivables, net	2,169,390	6,185,635	3,711,058	1,943,189	9,211,721	1,254,536	2,102,792	4,949,812	5,288,350	2,123,882	4,885,168	4,671,354
Other receivables, net	162,531	340,596	-	-	135,694	-	122,540	-	11,000	-	-	-
Inventories	-	75,130	508,620	-	353,580	-	308,945	434,094	119,764	169,507	38,822	1,060,594
Prepaid expenses and other assets	65,374	279,948	750,391	17,727	486,304	21,270	33,721	94,757	104,921	130,142	187,003	1,061,241
Deposits	32,684	-	111,333	62,311	-	-	-	-	145,020	19,688	-	-
Total current assets	3,630,430	10,093,204	24,793,169	3,293,123	20,735,233	3,705,641	5,218,760	35,573,270	8,527,226	5,121,787	13,603,607	45,946,188
PROPERTY, PLANT AND EQUIPMENT:												
Land	1,222,819	1,789,873	8,686,932	294,054	1,890,493	345,523	675,276	364,161	712,251	469,414	1,041,476	27,485,365
Buildings and leasehold improvements	12,731,969	17,858,271	20,175,748	5,862,346	33,336,814	8,572,729	17,130,921	12,126,710	11,189,474	11,128,976	18,434,536	713,396
Furniture, fixtures and equipment	2,321,827	4,671,364	-	940,360	6,569,105	1,384,327	3,745,132	3,479,643	2,642,478	3,085,514	1,971,428	14,163,313
Vehicles	3,048,556	-	3,267,492	2,630,013	6,512,714	2,836,674	3,943,302	2,285,138	5,461,496	2,598,682	5,302,185	-
Construction-in-progress	192,329	183,970	-	-	42,534	-	3,418	71,963	-	651,551	-	11,271
	19,517,500	24,503,478	32,130,172	9,726,773	48,351,660	13,139,253	25,498,049	18,327,615	20,005,699	17,934,137	26,749,625	42,373,345
Less: Accumulated depreciation	(11,939,040)	(12,807,220)	(22,022,231)	(6,003,873)	(31,960,524)	(8,735,486)	(15,264,759)	(15,050,671)	(11,297,921)	(12,412,656)	(16,347,953)	(30,705,305)
Total property, plant and equipment	7,578,460	11,696,258	10,107,941	3,722,900	16,391,136	4,403,767	10,233,290	3,276,944	8,707,778	5,521,481	10,401,672	11,668,040
OTHER ASSETS:												
Restricted deposits and funded reserves, net of current portion	170,814	174,033	630,429	157,814	2,670,340	471,755	402,418	8,205	101,531	85,062	367,005	294,630
Deferred charges	-	91,359	-	-	19,735	72,100	-	80,000	-	-	-	317,381
Participant funds and other noncurrent assets	-	291,691	241,667	-	501,806	-	495,028	290,175	-	748,658	142,761	1,205,834
Financing fees, net	-	-	-	50,787	-	89,523	-	10,573	84,224	-	114,368	-
Net investments in affiliates	-	-	-	-	9,527,180	-	-	-	-	-	262,739	-
Total other assets	170,814	557,083	872,096	208,601	12,719,061	633,378	897,446	388,953	185,755	833,720	886,873	1,817,845
	$ 11,379,704	$ 22,346,545	$ 35,773,206	$ 7,224,624	$ 49,845,430	$ 8,742,786	$ 16,349,496	$ 39,239,167	$ 17,420,759	$ 11,476,988	$ 24,892,152	$ 59,432,073
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES:												
Current installments of long-term debt	$ 824,256	$ 661,583	$ 1,019,888	$ 381,887	$ 1,767,389	$ 641,985	$ 562,961	$ 126,624	$ 961,239	$ 517,001	$ 842,489	$ 772,430
Notes payable	-	-	-	-	-	-	-	-	-	-	526,179	-
Accounts payable	440,059	877,590	1,107,336	273,916	1,989,589	67,772	442,663	578,538	267,960	442,001	935,535	1,231,283
Accrued expenses and taxes	998,033	2,772,388	3,009,242	1,576,155	15,040,831	737,077	1,479,847	4,430,634	1,315,822	1,677,843	3,685,344	7,240,549
Current portion of amounts due to governmental agencies	-	-	-	444,636	565,686	-	995,786	1,692,405	154,949	127,186	489,895	-
Current portion of deferred revenue and refundable advances	123,237	199,258	216,127	30,516	482,046	193,416	226,363	-	-	-	-	-
Other current liabilities	-	-	812,524	-	-	110,615	-	27,798	-	-	181,352	444,450
Total current liabilities	2,385,585	4,510,819	6,165,117	2,707,110	19,845,541	1,750,865	3,707,620	6,855,999	2,699,970	2,764,031	6,660,794	9,688,712
LONG-TERM DEBT, net of current portion	3,514,555	3,924,341	4,639,910	1,551,744	5,814,350	3,249,865	2,867,676	568,265	5,586,560	2,608,918	2,650,202	3,081,359
OTHER NONCURRENT LIABILITIES:												
Due to governmental agencies, net of current portion	-	-	-	-	1,547	-	-	-	-	29,565	-	-
Deferred revenue and refundable advances, net of current portion	-	-	-	-	-	-	290,034	-	-	-	-	229,221
Participant funds and other noncurrent liabilities	249,887	214,866	-	9,297	501,806	81,856	363,894	7,493,526	217,811	877,979	3,490,584	1,230,403
Total other noncurrent liabilities	249,887	214,866	-	9,297	503,353	81,856	653,928	7,493,526	217,811	907,544	3,490,584	1,459,624
Total liabilities	6,150,027	8,650,026	10,805,027	4,268,151	26,163,244	5,082,586	7,229,224	14,917,790	8,504,341	6,280,493	12,801,580	14,229,695
NET ASSETS:												
Unrestricted	5,229,677	13,083,804	24,337,750	2,956,473	14,127,439	3,624,507	8,404,725	24,321,377	8,903,608	5,196,495	11,425,976	45,197,056
Temporarily restricted	-	525,315	630,429	-	9,554,747	35,693	715,547	-	12,810	-	641,559	5,322
Permanently restricted	-	87,400	-	-	-	-	-	-	-	-	23,037	-
Total net assets	5,229,677	13,696,519	24,968,179	2,956,473	23,682,186	3,660,200	9,120,272	24,321,377	8,916,418	5,196,495	12,090,572	45,202,378
	$ 11,379,704	$ 22,346,545	$ 35,773,206	$ 7,224,624	$ 49,845,430	$ 8,742,786	$ 16,349,496	$ 39,239,167	$ 17,420,759	$ 11,476,988	$ 24,892,152	$ 59,432,073

See accountant's compilation report.

Exhibit I

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Nassau	New York City	Niagara	Oneida-Lewis	Onondaga	Ontario	Orange	Orleans	Oswego	Otsego	Putnam	Rensselaer
ASSETS												
CURRENT ASSETS:												
Cash and equivalents	$ 33,835,592	$ 8,278,163	$ 564,886	$ 8,339,116	$ 4,451,026	$ 2,812,213	$ 2,109,398	$ 894,335	$ 916,179	$ 1,009,714	$ 2,475,536	$ 5,275,265
Investments	47,651,464	9,124,602	194,341	2,960,773	2,067,676	2,565,324	194,968	1,213,266	-	-	-	435,249
Current portion restricted deposits and funded reserves	-	3,058	-	-	-	-	-	-	-	-	-	-
Government receivables, net	12,243,742	26,962,602	5,964,980	2,685,102	2,980,302	2,030,273	3,829,426	1,255,592	207,167	1,639,205	3,065,785	3,855,738
Other receivables, net	-	3,684,933	-	443,978	-	494,242	-	-	-	-	54,683	-
Inventories	1,707,372	-	23,963	476,413	-	55,231	-	-	-	79,253	-	166,043
Prepaid expenses and other assets	1,477,292	3,901,874	20,261	181,257	258,028	111,869	243,532	35,152	18,926	17,693	254,602	13,305
Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	96,915,462	51,955,232	6,768,431	15,086,639	9,757,032	8,069,152	6,377,324	3,398,345	1,142,272	2,745,865	5,850,606	9,745,600
PROPERTY, PLANT AND EQUIPMENT:												
Land	1,837,872	13,384,643	579,941	797,851	361,549	-	1,081,298	111,505	-	531,853	1,628,000	305,574
Buildings and leasehold improvements	29,331,913	115,088,311	14,052,499	12,657,179	8,644,595	14,730,075	20,444,241	4,746,454	21,185	7,191,863	13,094,910	10,840,098
Furniture, fixtures and equipment	11,139,722	16,447,331	2,232,231	1,490,055	2,189,211	1,146,700	3,999,074	1,347,152	66,340	811,295	2,097,207	2,960,427
Vehicles	-	90,599	2,745,973	1,794,411	102,634	4,342,391	4,030,992	-	38,499	2,216,687	1,723,516	999,426
Construction-in-progress	-	262,668	-	-	215,715	39,176	-	-	-	-	127,089	-
	42,309,507	145,273,552	19,610,644	16,739,496	11,513,704	20,258,342	29,555,605	6,205,111	126,024	10,751,698	18,670,722	15,105,525
Less: Accumulated depreciation	(18,377,373)	(65,112,508)	(15,311,313)	(9,983,851)	(7,428,770)	(13,573,782)	(20,351,166)	(4,860,119)	(86,501)	(8,955,769)	(13,032,389)	(10,360,707)
Total property, plant and equipment	23,932,134	80,161,044	4,299,331	6,755,645	4,084,934	6,684,560	9,204,439	1,344,992	39,523	1,795,929	5,638,333	4,744,818
OTHER ASSETS:												
Restricted deposits and funded reserves, net of current portion	2,429,666	4,652,500	45,212	-	916,831	115,390	397,573	132,796	-	76,966	-	381,820
Deferred charges	-	-	54,175	65,332	-	268,611	-	-	-	-	-	-
Participant funds and other noncurrent assets	2,189,475	6,247,859	210,463	171,919	447,743	404,826	135,724	-	-	62,622	962,932	255,018
Financing fees, net	67,363	1,818,042	-	-	51,442	-	74,459	20,811	-	20,534	-	18,432
Net investments in affiliates	-	5,313,901	-	-	344,761	-	-	-	-	-	-	-
Total other assets	4,686,504	18,032,302	309,850	237,251	1,760,777	788,827	607,756	153,607	-	160,122	962,932	655,270
	$ 125,534,100	$ 150,148,578	$ 11,377,612	$ 22,079,535	$ 15,602,743	$ 15,542,539	$ 16,189,519	$ 4,896,944	$ 1,181,795	$ 4,701,916	$ 12,451,871	$ 15,145,688
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES:												
Current installments of long-term debt	$ 94,797	$ 5,706,733	$ 514,441	$ 623,832	$ 378,438	$ 408,844	$ 1,024,075	$ 196,233	$ -	$ 274,143	$ 806,193	$ 269,294
Notes payable	-	-	3,300,000	-	-	-	600,669	-	-	-	-	-
Accounts payable	7,583,966	11,174,229	717,196	1,066,047	467,656	422,489	403,182	151,125	32,919	292,720	526,172	367,729
Accrued expenses and taxes	8,846,727	30,987,323	1,408,472	3,156,264	2,457,273	2,708,707	2,219,708	276,352	16,748	616,324	1,688,507	3,438,203
Current portion of amounts due to governmental agencies	1,960,008	2,121,166	1,919,936	-	606,957	-	162,614	-	33,987	-	3,201,219	196,805
Current portion of deferred revenue and refundable advances	-	5,023,279	6,300	856,078	332	194,684	48,205	69,477	-	-	-	177,654
Other current liabilities	765,543	-	-	176,622	-	47,604	-	45,272	-	32,075	73,966	52,089
Total current liabilities	19,251,041	55,012,730	7,866,345	5,878,843	3,910,656	3,782,328	4,458,453	738,459	83,654	1,215,262	6,296,057	4,501,774
LONG-TERM DEBT, net of current portion	32,394	59,505,620	1,498,279	3,060,636	1,788,542	1,574,280	3,068,434	738,594	-	662,686	3,499,650	689,992
OTHER NONCURRENT LIABILITIES:												
Due to governmental agencies, net of current portion	-	-	-	-	-	934,687	-	-	-	-	-	-
Deferred revenue and refundable advances, net of current portion	11,312,311	-	-	-	-	381,691	-	-	-	-	-	-
Participant funds and other noncurrent liabilities	2,711,749	-	313,200	912,593	794,583	163,671	501,456	-	-	114,436	132,035	255,018
Total other noncurrent liabilities	14,024,060	-	313,200	912,593	794,583	1,480,049	501,456	-	-	114,436	132,035	255,018
Total liabilities	33,307,495	114,518,350	9,677,824	9,852,072	6,493,781	6,836,657	8,028,343	1,477,053	83,654	1,992,384	9,927,742	5,446,784
NET ASSETS:												
Unrestricted	90,705,090	34,180,228	1,652,390	12,227,463	8,814,284	8,664,105	8,161,176	2,867,787	1,098,141	2,709,532	2,476,575	9,648,904
Temporarily restricted	1,443,124	-	40,565	-	294,678	41,777	-	38,852	-	-	47,554	-
Permanently restricted	78,391	1,450,000	6,833	-	-	-	-	513,252	-	-	-	50,000
Total net assets	92,226,605	35,630,228	1,699,788	12,227,463	9,108,962	8,705,882	8,161,176	3,419,891	1,098,141	2,709,532	2,524,129	9,698,904
	$ 125,534,100	$ 150,148,578	$ 11,377,612	$ 22,079,535	$ 15,602,743	$ 15,542,539	$ 16,189,519	$ 4,896,944	$ 1,181,795	$ 4,701,916	$ 12,451,871	$ 15,145,688

See accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(See Accountant's Compilation Report)
(Continued)

	Rockland	St. Lawrence	Saratoga	Schenectady	Schoharie	Schuyler
ASSETS						
CURRENT ASSETS:						
Cash and equivalents	$ 5,611,554	$ 1,127,647	$ 3,123,880	$ 595,040	$ 1,236,513	$ 530,080
Investments	4,390,468	3,238,202	370,537	2,019,710	408,656	3,912,413
Current portion restricted deposits and funded reserves				431,348		
Government receivables, net	4,857,862	2,593,183	2,708,482	3,064,451	1,967,849	1,905,171
Other receivables, net			26,250			
Inventories	-	177,570	-	2,669	116,392	4,832
Prepaid expenses and other assets	206,259	106,371	164,616	219,092	143,043	22,433
Deposits	-	-	-	-	165,703	-
Total current assets	15,066,143	7,242,073	7,302,765	7,232,328	4,058,156	6,375,818
PROPERTY, PLANT AND EQUIPMENT:						
Land	4,479,069	907,475	1,227,406	1,506,221	877,702	311,018
Buildings and leasehold improvements	21,650,118	11,073,015	21,053,019	15,860,958	6,645,298	6,408,734
Furniture, fixtures and equipment	5,241,889	1,344,002	2,347,814	4,322,730	1,175,894	1,712,486
Vehicles	398,129	1,961,635	6,086,520	4,402,680	2,071,285	1,229,262
Construction-in-progress	58,483	348,563	-	-	39,667	-
	31,827,688	18,696,490	31,315,759	26,092,598	10,809,926	9,752,298
Less: Accumulated depreciation	(18,589,363)	(14,079,133)	(18,939,459)	(19,303,511)	(8,024,487)	(7,309,743)
Total property, plant and equipment	13,238,325	4,617,357	12,376,300	6,789,087	2,785,439	2,442,555
OTHER ASSETS:						
Restricted deposits and funded reserves, net of current portion	35,790	60,071	887,942	243,212	230,063	159,000
Deferred charges	600,230	-	235,971	137,129	-	-
Participant funds and other noncurrent assets	2,109,917	35,004	-	71,499	51,035	70,945
Financing fees, net	-	3,684	-	149,897	28,678	38,888
Net investments in affiliates						
Total other assets	2,833,945	99,619	1,123,913	601,737	319,576	273,701
	$ 31,138,413	$ 11,959,949	$ 20,502,978	$ 14,623,152	$ 7,163,171	$ 9,092,074
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Current installments of long-term debt	$ 1,007,330	$ 205,010	$ 1,101,109	$ 909,901	$ 171,594	$ 307,550
Notes payable	-	2,600,919	-	2,300,000	-	-
Accounts payable	1,351,519	951,351	718,873	434,747	201,225	93,768
Accrued expenses and taxes	2,652,829	1,347,046	1,224,250	1,813,103	603,172	617,888
Current portion of amounts due to governmental agencies	1,085,227	-	1,035,224	-	92,265	1,041,906
Current portion of deferred revenue and refundable advances	-	162,590	-	-	655,997	-
Other current liabilities	-	-	-	542,044	-	-
Total current liabilities	6,096,905	5,340,924	4,079,536	5,799,875	1,724,253	2,121,110
LONG-TERM DEBT, net of current portion	2,120,220	790,500	7,493,102	3,034,013	1,019,540	1,357,297
OTHER NONCURRENT LIABILITIES						
Due to governmental agencies, net of current portion	-	-	136,847	119,487	-	-
Deferred revenue and refundable advances, net of current portion	5,950,300	-	-	137,129	-	-
Participant funds and other noncurrent liabilities	264,336	41,662	191,439	200,666		195,037
Total other noncurrent liabilities	6,212,636	41,662	328,286	457,282		195,037
Total liabilities	15,037,761	6,179,152	11,900,924	10,091,170	2,743,793	3,673,452
NET ASSETS:						
Unrestricted	15,957,949	5,456,537	8,357,079	4,531,982	4,419,378	5,418,622
Temporarily restricted	142,703	-	244,975	-	-	-
Permanently restricted	-	324,200	-	-	-	-
Total net assets	16,100,652	5,780,797	8,602,054	4,531,902	4,419,378	5,418,622
	$ 31,138,413	$ 11,959,949	$ 20,502,978	$ 14,623,152	$ 7,163,171	$ 9,092,074

	Seneca-Cayuga	Steuben	Suffolk	Sullivan	Ulster	Warren-Washington-Albany
ASSETS						
CURRENT ASSETS:						
Cash and equivalents	$ 552,470	$ 3,217,510	$ 11,650,044	$ 2,103,062	$ 10,123,500	$ 3,356,203
Investments	1,205,299	2,242,692	43,148	286,081	4,541,100	1,237,744
Current portion restricted deposits and funded reserves						174,559
Government receivables, net	2,984,065	2,537,148	11,327,147	3,486,833	8,812,435	3,153,253
Other receivables, net	29,600			565,219		
Inventories	438,200	47,604	-	176,876	-	-
Prepaid expenses and other assets	114,014	25,312	838,278	294,304	770,046	99,605
Deposits	-	-	-	-	-	-
Total current assets	5,103,648	8,070,263	23,868,317	7,004,175	24,247,270	8,621,454
PROPERTY, PLANT AND EQUIPMENT:						
Land	301,202	141,000	2,230,717	591,107	1,293,120	1,002,520
Buildings and leasehold improvements	14,320,226	10,204,103	28,822,675	26,045,084	29,456,417	25,326,700
Furniture, fixtures and equipment	4,343,919	636,234	5,385,050	2,810,801	5,660,113	2,302,033
Vehicles		2,110,870	3,258,389	4,670,182	5,102,100	4,051,161
Construction-in-progress	-	2,270,197	-	56,691	1,475,681	334,529
	19,195,347	15,362,404	39,697,331	35,074,845	43,001,431	33,106,943
Less: Accumulated depreciation	(10,869,174)	(8,786,844)	(27,516,855)	(22,421,097)	(25,186,044)	(20,929,384)
Total property, plant and equipment	8,326,173	6,575,560	12,180,476	12,653,748	17,815,387	12,179,559
OTHER ASSETS:						
Restricted deposits and funded reserves, net of current portion	540,107	429,190	390,720	-	1,221,275	604,379
Deferred charges	-	-	-	12,032	-	-
Participant funds and other noncurrent assets	139,526	143,005	319,700	503,105	353,047	502,336
Financing fees, net	183,869	149,730	-	-	323,730	126,506
Net investments in affiliates			1,158,380		766,351	
Total other assets	871,502	721,933	1,878,318	515,217	2,665,053	1,313,311
	$ 14,391,323	$ 15,367,759	$ 37,927,611	$ 20,173,140	$ 44,727,720	$ 22,114,324
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Current installments of long-term debt	$ 870,311	$ 407,407	$ 947,000	$ 1,409,000	$ 2,440,430	$ 1,050,856
Notes payable	575,000	-	-	950,000	454,983	840,000
Accounts payable	501,133	463,837	1,423,804	667,189	1,006,740	516,220
Accrued expenses and taxes	1,251,995	1,050,240	3,806,367	1,355,005	3,125,301	1,037,268
Current portion of amounts due to governmental agencies	315,787	98,715	10,350,055	591,250	1,269,451	-
Current portion of deferred revenue and refundable advances	99,244	324,888		133,254	699,127	-
Other current liabilities	-	-		-	-	20,753
Total current liabilities	3,413,470	3,245,147	16,527,016	5,106,290	9,004,090	4,373,197
LONG-TERM DEBT, net of current portion	5,190,000	4,093,701	4,198,754	7,627,703	9,137,752	7,002,037
OTHER NONCURRENT LIABILITIES						
Due to governmental agencies, net of current portion	-	-	-	804,096	-	-
Deferred revenue and refundable advances, net of current portion	156,701	188,179	409,070	-	-	-
Participant funds and other noncurrent liabilities	294,281	156,144	328	880,997	728,261	3,306,566
Total other noncurrent liabilities	451,062	344,323	410,206	1,685,093	728,261	3,306,566
Total liabilities	9,054,532	7,683,251	21,137,576	14,419,174	18,870,103	15,244,400
NET ASSETS:						
Unrestricted	5,336,791	7,674,893	16,674,390	5,570,342	25,091,266	6,761,462
Temporarily restricted	-	9,615	115,645	111,617	765,351	81,462
Permanently restricted	-	-	-	12,007	-	27,000
Total net assets	5,336,791	7,684,508	16,790,035	5,693,966	25,857,617	6,869,924
	$ 14,391,323	$ 15,367,759	$ 37,927,611	$ 20,173,140	$ 44,727,720	$ 22,114,324

See accountant's compilation report.

Exhibit I

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Wayne	Westchester	Yates
ASSETS			
CURRENT ASSETS:			
Cash and equivalents	$ 6,952,902	$ 9,806,627	$ 1,850,598
Investments	3,977,033	3,558,810	-
Current portion restricted deposits and funded reserves	-	-	-
Government receivables, net	3,032,148	9,372,546	1,581,872
Other receivables, net	-	-	-
Inventories	-	-	98,133
Prepaid expenses and other assets	146,507	2,070,853	44,551
Deposits	-	-	-
Total current assets	14,108,590	24,808,836	3,575,154
PROPERTY, PLANT AND EQUIPMENT:			
Land	505,567	3,876,672	308,491
Buildings and leasehold improvements	10,575,465	32,112,186	4,813,710
Furniture, fixtures and equipment	4,324,510	2,928,225	1,359,931
Vehicles	-	-	1,529,486
Construction-in-progress	13,448	-	-
	15,418,990	38,917,083	8,011,618
Less: Accumulated depreciation	(11,741,054)	(18,051,766)	(5,550,782)
Total property, plant and equipment	3,677,936	20,865,317	2,460,836
OTHER ASSETS:			
Restricted deposits and funded reserves, net of current portion	63,038	83,903	125,783
Deferred charges	-	367,627	40,045
Participant funds and other noncurrent assets	110,387	2,252,537	159,822
Financing fees, net	18,688	-	22,279
Net investments in affiliates	-	-	-
Total other assets	192,113	2,704,067	347,929
	$ 17,978,639	$ 48,378,220	$ 6,383,919
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Current installments of long-term debt	$ 141,645	$ 921,434	$ 379,724
Notes payable	-	-	500,000
Accounts payable	200,346	2,564,849	283,868
Accrued expenses and taxes	1,205,851	2,392,038	470,965
Current portion of amounts due to governmental agencies	56,644	2,380,290	289,455
Current portion of deferred revenue and refundable advances	-	-	-
Other current liabilities	-	-	12,452
Total current liabilities	1,604,486	8,258,611	1,936,464
LONG-TERM DEBT, net of current portion	897,278	9,063,858	1,008,551
OTHER NONCURRENT LIABILITIES:			
Due to governmental agencies, net of current portion	-	-	-
Deferred revenue and refundable advances, net of current portion	-	-	132,528
Participant funds and other noncurrent liabilities	110,387	1,776,458	206,409
Total other noncurrent liabilities	110,387	1,776,458	338,937
Total liabilities	2,612,151	19,098,927	3,283,952
NET ASSETS:			
Unrestricted	15,312,684	29,279,293	3,077,955
Temporarily restricted	53,804	-	22,012
Permanently restricted	-	-	-
Total net assets	15,366,488	29,279,293	3,099,967
	$ 17,978,639	$ 48,378,220	$ 6,383,919

See accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)

	Total	Eliminations	Office	Allegany	Broome-Tioga	Cattaraugus	Chautauqua	Chemung	Chenango	Clinton	Columbia	Delaware
UNRESTRICTED NET ASSETS:												
Revenue and support -												
Program revenue	$ 1,703,836,419	$ (2,472,707)	$ 8,735,734	$ 18,857,603	$ 20,987,264	$ 17,297,254	$ 53,623,331	$ 19,589,522	$ 11,279,566	$ 26,576,902	$ 22,445,853	$ 12,315,092
Non-program revenue	52,686,841	-	-	497,843	5,972	9,954	28,251,581	115,755	4,247	224,817	226,106	271,335
Fundraising	4,531,048	-	444	-	710,103	-	60,185	-	-	-	-	35,244
Other support	7,320,587	-	77,576	-	177,935	39,428	4,119,115	-	-	-	-	-
Capital additions revenue	91,974	-	-	-	-	-	18,619	-	-	-	-	-
Realized and unrealized gain (loss) on investments, net	(6,059,624)	-	102,372	(55,772)	(218,400)	(43,455)	(78,437)	(47,201)	(76,381)	(70,162)	(27,221)	(17,304)
Net assets released from restrictions	2,159,920	-	-	-	409,455	-	-	-	-	-	-	-
Total revenue and support	1,764,567,165	(2,472,707)	8,916,126	19,299,674	22,072,329	17,303,181	85,994,394	19,658,076	11,207,432	26,731,557	22,644,738	12,604,367
Expenses -												
Program services	1,585,492,797	-	6,145,813	17,685,158	19,338,965	15,591,388	75,385,070	17,973,141	10,101,579	25,070,775	19,792,354	11,239,021
Management and general	155,927,415	(2,472,707)	2,570,244	1,296,847	1,877,655	1,581,867	9,142,418	1,607,124	1,313,532	2,450,654	2,301,077	1,257,031
Fundraising	4,076,059	-	-	16,087	207,184	-	17,855	-	9,174	15,146	22,990	-
Other operating expenses	2,029,467	-	-	-	-	-	14,062	-	-	-	-	-
Total expenses	1,747,525,738	(2,472,707)	8,716,057	18,998,092	21,423,804	17,173,255	84,559,405	19,580,265	11,424,285	27,536,575	22,116,421	12,496,052
Increase (decrease) in unrestricted net assets	17,041,427	-	200,069	301,582	648,525	129,926	1,434,989	77,811	(216,853)	(805,018)	528,317	108,315
TEMPORARILY RESTRICTED NET ASSETS:												
Contributions, grants, etc.	1,792,802	-	-	-	11,500	-	300,195	-	-	230	-	-
Interest income, net	(1,495)	-	-	-	-	-	-	-	-	-	-	-
Other	182,595	-	-	-	(1,020)	(3,277)	-	-	-	-	-	-
Net assets released from restrictions	(2,159,920)	-	-	-	(409,455)	-	-	-	-	-	-	-
Increase (decrease) in temporarily restricted net assets	(186,018)	-	-	-	(398,975)	(3,277)	300,195	-	-	230	-	-
PERMANENTLY RESTRICTED NET ASSETS:												
Contributions	8,758	-	-	-	-	-	-	-	-	-	-	-
Other	24,339	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	33,097	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	16,888,506	-	200,069	301,582	249,550	126,649	1,735,184	77,811	(216,853)	(804,788)	528,317	108,315
NET ASSETS - beginning of year (as restated)	594,416,302	-	4,702,672	5,337,259	10,348,908	7,249,608	6,908,858	6,901,439	7,447,408	13,748,121	4,701,343	14,569,835
NET ASSETS - end of year	$ 611,304,808	$ -	$ 4,902,741	$ 5,638,841	$ 10,598,458	$ 7,376,257	$ 8,644,042	$ 6,979,250	$ 7,230,555	$ 12,943,333	$ 5,229,660	$ 14,678,150

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Dutchess	Erie	Essex	Franklin-Hamilton	Fulton	Genesee	Herkimer	Jefferson	Livingston-Wyoming	Madison-Cortland	Monroe	Montgomery
UNRESTRICTED NET ASSETS:												
Revenue and support -												
Program revenue	$ 20,199,987	$ 44,941,125	$ 41,170,700	$ 18,152,418	$ 89,010,291	$ 13,214,141	$ 23,528,731	$ 36,298,833	$ 27,080,841	$ 22,549,783	$ 39,585,900	$ 54,610,647
Non-program revenue	292,065	578,439	1,300,993	2,554	444,439	346,357	-	3,011,876	119,014	120,283	1,065,938	1,263,355
Fundraising	-	(37,005)	-	63,870	-	-	21,405	-	-	-	-	-
Other support	-	583,351	(14,779)	12,140	3,388	-	57,848	-	280,098	-	-	-
Capital additions revenue	-	-	-	-	-	-	-	-	-	-	-	-
Realized and unrealized gain (loss) on investments, net	(2,300)	(35,428)	(409,315)	-	(86,240)	(36,909)	-	(753,378)	(11,542)	37,085	(165,602)	(884,331)
Net assets released from restrictions	-	611,714	18,184	-	-	99,637	-	-	-	-	301,005	-
Total revenue and support	20,489,752	46,642,196	42,065,783	18,230,982	89,371,878	13,623,226	23,607,984	38,557,331	27,468,411	22,707,151	40,787,241	54,989,671
Expenses -												
Program services	17,974,646	39,500,049	38,970,282	16,831,818	82,830,740	12,218,818	20,877,766	33,952,131	24,785,245	19,543,811	36,465,669	51,036,916
Management and general	1,901,664	4,610,585	3,130,202	1,339,926	6,399,549	1,570,602	1,956,711	2,559,791	1,899,272	2,587,222	4,188,029	4,834,989
Fundraising	48,745	185,098	176,721	40,798	-	50,167	582,420	110,990	23,154	-	-	6,556
Other operating expenses	-	106,037	-	-	-	-	-	1,151,150	-	-	-	-
Total expenses	19,925,055	44,401,769	42,277,205	18,212,542	89,230,289	13,839,587	23,416,897	37,774,062	26,707,671	22,131,033	40,653,698	55,878,461
Increase (decrease) in unrestricted net assets	564,697	2,240,427	(211,422)	18,440	141,589	(216,361)	191,087	783,269	760,740	576,118	133,543	(888,790)
TEMPORARILY RESTRICTED NET ASSETS:												
Contributions, grants, etc.	-	207,442	44,123	-	1,833	-	261,893	-	12,810	-	140,505	-
Interest income, net	-	-	312	-	-	-	-	-	-	-	(1,874)	-
Other	-	(1,307)	-	-	111,663	-	-	-	-	-	-	-
Net assets released from restrictions	-	(611,714)	(18,184)	-	-	(99,637)	-	-	-	-	(301,005)	-
Increase (decrease) in temporarily restricted net assets	-	(405,579)	26,251	-	113,496	(99,637)	261,893	-	12,810	-	(162,374)	-
PERMANENTLY RESTRICTED NET ASSETS:												
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	564,697	1,834,848	(185,171)	18,440	255,085	(315,998)	452,980	783,269	773,550	576,118	(28,831)	(888,790)
NET ASSETS - beginning of year (as restated)	4,664,980	11,861,671	25,153,350	2,938,033	23,427,101	3,976,198	8,667,292	23,538,108	8,142,868	4,620,377	12,119,403	46,091,168
NET ASSETS - end of year	$ 5,229,677	$ 13,696,519	$ 24,968,179	$ 2,956,473	$ 23,682,186	$ 3,660,200	$ 9,120,272	$ 24,321,377	$ 8,916,418	$ 5,196,495	$ 12,090,572	$ 45,202,378

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Nassau	New York City	Niagara	Oneida-Lewis	Onondaga	Ontario	Orange	Orleans	Oswego	Otsego	Putnam	Rensselaer
UNRESTRICTED NET ASSETS:												
Revenue and support -												
Program revenue	$ 119,166,208	$ 245,879,285	$ 25,390,241	$ 31,634,282	$ 25,663,038	$ 22,744,078	$ 31,718,474	$ 9,170,694	$ 1,085,352	$ 18,549,814	$ 22,033,572	$ 28,450,150
Non-program revenue	806,089	6,035,368	494,588	154,540	559,208	528,627	382,341	990,847	32,205	198,405	678,657	611,539
Fundraising	855,589	2,338,076	-	133,922	-	-	-	-	-	-	-	-
Other support	300,636	-	-	-	-	-	-	95,505	-	-	302,179	295,482
Capital additions revenue	-	-	-	-	-	-	-	-	-	-	-	-
Realized and unrealized gain (loss) on investments, net	(1,731,566)	77,115	(10,438)	(71,299)	(74,020)	(88,608)	-	(80,665)	-	-	-	(37,460)
Net assets released from restrictions	38,343	-	149,197	-	88,705	61,353	-	16,800	-	-	20,217	-
Total revenue and support	119,435,299	254,329,844	26,023,588	31,851,445	26,236,931	23,245,450	32,100,815	10,193,181	1,117,557	18,748,219	23,034,625	29,319,711
Expenses -												
Program services	105,189,582	230,751,664	23,459,694	28,749,338	23,404,369	20,256,829	28,987,140	9,626,538	842,479	17,005,514	19,758,748	26,564,636
Management and general	10,989,101	23,394,269	2,836,296	2,815,907	2,850,766	2,471,427	3,234,282	1,027,588	190,412	1,500,194	3,069,575	1,814,841
Fundraising	590,739	269,447	41,191	-	859	458,083	109,819	122,360	19,246	113,752	20,084	134,262
Other operating expenses	62,724	-	(45,036)	-	-	-	-	(270,619)	-	-	-	-
Total expenses	116,832,146	254,415,380	26,292,145	31,565,245	26,255,994	23,186,339	32,331,241	10,505,867	1,052,137	18,619,460	22,848,407	28,513,739
Increase (decrease) in unrestricted net assets	2,603,153	(85,536)	(268,557)	286,200	(19,063)	59,111	(230,426)	(312,686)	65,420	128,759	186,218	805,972
TEMPORARILY RESTRICTED NET ASSETS:												
Contributions, grants, etc.	380,877	-	-	-	112,164	14,125	-	15,533	-	-	15,500	-
Interest income, net	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	787	-	-	-	-
Net assets released from restrictions	(38,343)	-	(149,197)	-	(88,705)	(61,353)	-	(16,800)	-	-	(20,217)	-
Increase (decrease) in temporarily restricted net assets	342,534	-	(149,197)	-	23,459	(47,228)	-	(480)	-	-	(4,717)	-
PERMANENTLY RESTRICTED NET ASSETS:												
Contributions	-	-	-	-	-	-	-	8,758	-	-	-	-
Other	-	-	-	-	-	-	-	24,339	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-	-	33,097	-	-	-	-
CHANGE IN NET ASSETS	2,945,687	(85,536)	(417,754)	286,200	4,396	11,883	(230,426)	(280,069)	65,420	128,759	181,501	805,972
NET ASSETS - beginning of year (as restated)	89,280,918	35,715,764	2,117,542	11,941,263	9,104,566	8,693,999	8,391,602	3,699,960	1,032,721	2,580,773	2,342,628	8,892,932
NET ASSETS - end of year	$ 92,226,605	$ 35,630,228	$ 1,699,788	$ 12,227,463	$ 9,108,962	$ 8,705,882	$ 8,161,176	$ 3,419,891	$ 1,098,141	$ 2,709,532	$ 2,524,129	$ 9,698,904

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Rockland	St. Lawrence	Saratoga	Schenectady	Schoharie	Schuyler
UNRESTRICTED NET ASSETS:						
Revenue and support						
Program revenue	$ 42,495,973	$ 28,843,582	$ 27,166,324	$ 30,811,894	$ 15,115,967	$ 8,508,623
Non-program revenue	172,144	130,387	651,355	465,448	131,405	-
Fundraising	109,341	-	30,039	-	-	-
Other support						369,122
Capital additions revenue	-	-	-	-	-	-
Realized and unrealized gain (loss) on investments, net	(185,089)	(118,230)	5,343	(80,266)	(18,077)	(259,354)
Net assets released from restrictions	115,289	-	46,589	-	-	-
Total revenue and support	42,710,658	28,855,739	27,899,950	31,197,076	15,229,295	8,618,391
Expenses -						
Program services	39,334,245	26,257,783	23,510,112	28,010,429	13,923,448	7,324,265
Management and general	3,798,775	2,535,570	3,443,457	3,036,802	1,325,046	993,661
Fundraising	-	-	243,754	-	89,137	45,921
Other operating expenses	-	-	310,205	-	-	378,351
Total expenses	43,133,020	28,793,353	27,507,528	31,047,231	15,337,631	8,742,198
Increase (decrease) in unrestricted net assets	(422,362)	62,386	392,122	149,845	(108,336)	(123,807)
TEMPORARILY RESTRICTED NET ASSETS:						
Contributions, grants, etc.	68,250		73,041			
Interest income, net	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net assets released from restrictions	(115,289)		(46,589)			
Increase (decrease) in temporarily restricted net assets	(47,039)	-	26,152	-	-	-
PERMANENTLY RESTRICTED NET ASSETS:						
Contributions						
Other	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-
CHANGE IN NET ASSETS	(469,401)	62,386	418,274	149,845	(108,336)	(123,807)
NET ASSETS - beginning of year (as restated)	16,570,053	5,718,411	8,183,780	4,382,137	4,527,714	5,542,429
NET ASSETS - end of year	$ 16,100,652	$ 5,780,797	$ 8,602,054	$ 4,531,982	$ 4,419,378	$ 5,418,622

	Seneca Cayuga	Steuben	Suffolk	Sullivan	Ulster	Warren-Washington Albany
UNRESTRICTED NET ASSETS:						
Revenue and support						
Program revenue	$ 25,897,936	$ 16,716,347	$ 68,137,336	$ 31,470,991	$ 57,819,855	$ 38,788,449
Non-program revenue	272,342	242,038	255,003	115,557	62,286	150,886
Fundraising	-	-	-	(132,500)	21,704	-
Other support	316,739			74,503	230,321	
Capital additions revenue	-	34,367	-	-	-	-
Realized and unrealized gain (loss) on investments, net	(37,754)	(79,070)	(10,448)	(6,943)	(78,279)	(9,864)
Net assets released from restrictions	-	-	15,510	27,941	-	-
Total revenue and support	26,449,263	16,913,682	68,397,401	31,549,469	58,055,897	38,929,471
Expenses -						
Program services	23,910,843	14,282,079	67,636,416	27,803,809	50,471,920	32,209,282
Management and general	2,374,516	2,398,670	386,586	3,248,034	5,322,858	4,151,839
Fundraising	121,542	34,911	-	-	-	66,938
Other operating expenses	-	87,401	-	19,144	85,050	31,516
Total expenses	26,406,901	16,803,061	68,023,002	31,070,987	55,885,828	36,459,575
Increase (decrease) in unrestricted net assets	42,462	110,621	374,399	478,482	2,170,069	2,469,896
TEMPORARILY RESTRICTED NET ASSETS:						
Contributions, grants, etc.		1,000	11,030	39,906		
Interest income, net	-	-	67	-	-	-
Other	-	-	-	-	77,235	(1,486)
Net assets released from restrictions			(15,510)	(27,941)		
Increase (decrease) in temporarily restricted net assets	-	1,000	(4,413)	11,965	77,235	(1,486)
PERMANENTLY RESTRICTED NET ASSETS:						
Contributions						
Other	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-
CHANGE IN NET ASSETS	42,462	111,621	369,986	490,447	2,247,304	2,468,410
NET ASSETS - beginning of year (as restated)	5,294,329	7,572,887	16,420,049	5,203,519	23,610,313	4,401,514
NET ASSETS - end of year	$ 5,336,791	$ 7,684,508	$ 16,790,035	$ 5,693,966	$ 25,857,617	$ 6,869,924

NYSARC, INC, STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Wayne	Westchester	Yates
UNRESTRICTED NET ASSETS:			
Revenue and support -			
Program revenue	$ 25,283,406	$ 54,976,741	$ 10,735,986
Non-program revenue	187,443	47,390	177,820
Fundraising	-	320,711	-
Other support	-	-	-
Capital additions revenue	-	-	38,988
Realized and unrealized gain (loss) on investments, net	(261,499)	(23,232)	-
Net assets released from restrictions	150	-	139,531
Total revenue and support	25,209,500	55,321,610	11,092,325
Expenses -			
Program services	23,041,268	50,303,484	9,562,628
Management and general	2,059,126	3,548,473	1,204,960
Fundraising	-	-	80,929
Other operating expenses	-	21,010	75,472
Total expenses	25,100,394	53,872,967	10,923,989
Increase (decrease) in unrestricted net assets	109,106	1,448,643	168,336
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions, grants, etc.	350	-	80,495
Interest income, net	-	-	-
Other	-	-	-
Net assets released from restrictions	(150)	-	(139,531)
Increase (decrease) in temporarily restricted net assets	200	-	(59,036)
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions	-	-	-
Other	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-
CHANGE IN NET ASSETS	109,306	1,448,643	109,300
NET ASSETS - beginning of year (as restated)	15,257,182	27,830,650	2,990,667
NET ASSETS - end of year	$ 15,366,488	$ 29,279,293	$ 3,099,967

See accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)

	Total	Eliminations	Office	Allegany	Broome-Tioga	Cattaraugus	Chautauqua	Chemung	Chenango	Clinton	Columbia	Delaware
CASH FLOW FROM OPERATING ACTIVITIES:												
Change in net assets	$ 16,080,506	$ -	$ 200,069	$ 301,502	$ 249,550	$ 126,649	$ 1,735,104	$ 77,011	$ (216,053)	$ (804,700)	$ 520,317	$ 100,315
Adjustments to reconcile change in net assets to net cash flow from operating activities:												
Depreciation and amortization	56,386,844	-	86,179	487,518	917,009	104,290	1,905,670	470,142	518,178	1,200,460	1,099,005	435,911
Realized and unrealized (gain) loss on investments, net	6,059,624	-	(102,372)	55,772	218,400	43,455	70,437	47,201	76,301	70,162	27,221	17,304
Gain on sales or dispositions of assets, net	(333,341)	-	-	51,299	2,985	-	83,583	(23,581)	7,309	(1,808)	(37,868)	(8,062)
Bad debt expense	1,859,179				3,385		145,910					
Other	(230,401)	-	-	(650)	-	3,277	(546,758)	(14,175)	-	-	34,528	-
Changes in:												
Receivables	9,376,187	-	9,565	(257,354)	501,853	(38,419)	(3,902,266)	(67,861)	(40,004)	198,784	6,716	138,001
Inventories	93,010	-	-	(1,476,787)	(19,703)	18,594	1,668,991	3,730	(21,448)	33,702	(29,472)	30,700
Prepaid expenses and other assets	1,130,506	-	(1,371)	(76,576)	(28,292)	(25,271)	134,793	(1,070)	7,324	(20,400)	(5,540)	87,530
Deposits	475,538	-	475,959	-	-	-	(1,005)	-	-	(75,895)	188,863	-
Deferred charges	316,647	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	3,311,485	-	85,397	810,650	(173,686)	(113,801)	1,283,309	71,295	(28,738)	247,304	(148,892)	(38,183)
Accrued expenses and taxes	(779,887)	-	4,625	(46,254)	159,921	81		47,900	(122,365)	(437,264)	64,480	12,157
Due to governmental agencies	5,113,995	-	-	(54,748)	257,627	41,690	-	(1,745,326)	-	(10,945)	(60,378)	-
Deferred revenue, refundable advances and other liabilities	7,318,189	-	6,832	(52,591)	26,000	132,753	-	-	(28,720)	(2,529)	-	-
Net cash flow from operating activities	106,994,081	-	766,883	(277,129)	2,175,059	293,298	2,585,848	(1,134,734)	151,064	396,635	1,606,900	783,373
CASH FLOW FROM INVESTING ACTIVITIES:												
Proceeds from the sale of property, plant and equipment	1,354,721	-	-	-	(17,412)	-	84,536	-	-	-	125,500	8,062
Purchases of property, plant and equipment	(45,263,307)	-	(17,696)	(186,773)	(521,451)	-	(1,362,101)	(283,789)	(590,539)	(1,051,521)	(198,799)	(6,814)
Purchase of investments	(58,214,139)	-	(623,502)	(1,706,594)	(1,583,736)	(38,762)	(422,008)	-	(536,275)	(2,618,507)	(525,931)	(34,148)
Proceeds from sales of investments	50,906,839	-	571,774	2,201,336	930,549	87,551	1,141,682	-	511,911	2,577,916	515,157	-
Change in limited use reserves and deposits refunded	612,030	-	-	-	-	-	1,062	233,917	(596)	(12,150)	-	-
Other investing activities	(3,089,002)	-	1,789,445	-	-	-	15,223	-	11,969	-	-	-
Net cash flow from investing activities	(53,693,650)	-	1,720,021	307,969	(1,192,050)	48,789	(541,606)	(49,872)	(603,530)	(1,104,262)	(83,905)	(32,900)
CASH FLOW FROM FINANCING ACTIVITIES:												
Proceeds from long-term debt	20,963,153	-	-	75,219	455,151	-	31,621	-	-	478,649	64,314	-
Repayment of long-term debt	(40,767,325)	-	(50,095)	(253,547)	(1,203,654)	(31,633)	(1,157,699)	(490,353)	(290,006)	(635,117)	(1,007,594)	(166,576)
Proceeds from notes payable	128,385,975	-	-	91,811	-	-	35,223,746	-	-	230,000	-	-
Repayment of notes payable	(134,360,470)	-	-	-	-	-	(36,141,590)	-	750,000	(125,353)	-	-
Other financing activities	280,881	-	(1,598,028)	5,724	47,403	-	-	-	52,052	-	-	-
Net cash flow from financing activities	(25,497,706)	-	(1,648,123)	(80,793)	(701,100)	(31,633)	(2,043,927)	(490,353)	512,046	(51,821)	(943,280)	(166,576)
CHANGE IN CASH AND EQUIVALENTS	27,802,637	-	838,781	(49,923)	281,909	310,454	315	(1,674,959)	59,580	(759,448)	639,695	583,897
CASH AND EQUIVALENTS - beginning of year	163,036,737		211,694	384,411	1,938,284	2,994,781	20,039	4,324,019	443,812	3,219,478	310,252	1,768,746
CASH AND EQUIVALENTS - end of year	$ 190,839,374	$ -	$ 1,050,475	$ 334,488	$ 2,140,193	$ 3,305,235	$ 20,354	$ 2,649,060	$ 503,392	$ 2,460,030	$ 949,947	$ 2,352,643

See accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Dutchess	Erie	Essex	Franklin-Hamilton	Fulton	Genesee	Herkimer	Jefferson	Livingston-Wyoming	Madison-Cortland	Monroe	Montgomery
CASH FLOW FROM OPERATING ACTIVITIES:												
Change in net assets	$ 561,697	$ 1,834,348	$ (185,171)	$ 18,440	$ 255,085	$ (315,998)	$ 452,980	$ 783,269	$ 773,550	$ 576,118	$ (28,831)	$ (888,790)
Adjustments to reconcile change in net assets to net cash flow from operating activities:												
Depreciation and amortization	779,067	1,185,569	1,424,441	538,039	2,165,482	787,499	1,321,385	631,318	1,275,687	738,563	1,711,236	2,111,338
Realized and unrealized (gain) loss on investments, net	2,300	35,428	409,315	-	86,240	36,909	-	753,378	11,542	(37,085)	165,602	884,331
Gain on sales or dispositions of assets, net	(7,400)	27,042	(34,767)		(9,567)		2,409	9,689	(46,340)	(4,591)	(80,052)	(55,572)
Bad debt expense	25,744	-	-	-	154,931	-	-	(235)	-	14,211	(7,263)	61,263
Other	-	(179,755)	(312)	(948)	(111,603)	(6,549)	(40,602)	1,151,962	(8,242)	-	(470,155)	93,038
Changes in:												
Receivables	(63,334)	677,345	846,503	303,456	3,810,500	236,231	346,814	536,525	(522,010)	61,671	(460,758)	673,611
Inventories		(1,557)	(132,546)		27,943		253,223	(7,063)	5,762	8,475	(11,070)	(87,205)
Prepaid expenses and other assets	16,448	(54,000)	99,941	61,163	(254,534)	5,429	411,380	121,904	68,002	(1,942)	104,393	60,066
Deposits	-	-	(111,333)	(45,697)	(300)	-	-	-	-	2,659	-	-
Deferred charges					338,658							
Accounts payable	78,644	102,067	(211,003)	(65,349)	780,681	(6,617)	(185,656)	04,411	108,460	104,551	(200,123)	(176,262)
Accrued expenses and taxes	(59,005)	27,288	-	(328,026)	4,066,903	(22,332)	(635,150)	106,906	(342,009)	413,792	131,673	831,510
Due to governmental agencies	-	-	473,023	100,329	(419,117)	88,137	57,630	184,514	31,754	57,710	-	-
Deferred revenue, refundable advances and other liabilities	53,783	49,855	336,802	(16,446)	224,736	88,570	58,394	-	-	-	224,901	349,429
Net cash flow from operating activities	1,390,944	3,704,130	2,914,803	564,961	11,115,978	891,279	2,042,807	4,366,578	1,356,156	1,934,132	1,060,853	3,857,377
CASH FLOW FROM INVESTING ACTIVITIES:												
Proceeds from the sale of property, plant and equipment	-	1,000	26,554	-	49,372	-	1,119	10,646	00,771	4,651	(526,949)	153,017
Purchases of property, plant and equipment	(523,860)	(1,157,017)	(2,450,070)	(023,059)	(3,395,952)	(362,107)	(1,121,259)	(054,056)	(1,109,082)	(1,199,500)	-	(2,063,145)
Purchase of investments	(103,024)	(194,581)	(2,075,171)	-	(2,600,729)	(796,044)	(13,477)	(898,589)	(309,124)	(30,624)	(288,813)	(5,686,041)
Proceeds from sales of investments	8,302	172,930	1,411,167	-	1,000,000	965,639	-	397,869	144,000	27,785	539,765	4,312,554
Change in limited use reserves and deposits refunded		41,208	(48,066)	64,055	(3,792)	(6,224)			(96,230)	(2,544)		27,795
Other investing activities	(69,115)	42,893	(250,000)				56,396	(805,000)	40,818		54,635	
Net cash flow from investing activities	(687,497)	(1,092,707)	(3,394,384)	(759,804)	(4,951,101)	(178,730)	(1,077,221)	(2,141,930)	(1,248,847)	(1,200,320)	(221,362)	(3,255,820)
CASH FLOW FROM FINANCING ACTIVITIES:												
Proceeds from long-term debt	1,643,364	414,588	1,700,000	457,702	630,263	969,350	139,482	-	725,481	974,899	-	405,737
Repayment of long-term debt	(1,925,964)	(694,706)	(360,462)	(467,136)	(2,122,549)	(1,390,632)	(808,544)	(122,138)	(949,249)	(553,966)	(779,792)	(1,118,702)
Proceeds from notes payable	(580,000)	(1,128,653)	(424,328)	109,178								
Repayment of notes payable	-	-	-	(109,170)	-	-	-	-	-	-	(190,021)	-
Other financing activities	86,304	339,053	22,115	5,949	-	397,309	7,556	-	(2,644)	(30,634)	-	-
Net cash flow from financing activities	(776,176)	(1,068,918)	937,325	(3,425)	(1,492,286)	(23,893)	(661,506)	(122,138)	(226,412)	382,299	(978,613)	(712,965)
CHANGE IN CASH AND EQUIVALENTS	(72,729)	1,542,445	457,834	(198,268)	4,672,591	688,650	304,080	2,102,510	(119,103)	1,116,111	(139,322)	(111,408)
CASH AND EQUIVALENTS - beginning of year	995,790	802,376	5,234,846	1,468,164	1,490,358	760,849	1,558,721	8,550,312	2,596,377	1,325,184	4,521,842	2,624,407
CASH AND EQUIVALENTS - end of year	$ 923,061	$ 2,344,821	$ 5,692,080	$ 1,269,896	$ 6,162,949	$ 1,449,499	$ 1,862,801	$ 10,652,822	$ 2,477,274	$ 2,441,295	$ 4,382,520	$ 2,512,999

See accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Nassau	New York City	Niagara	Oneida-Lewis	Onondaga	Ontario	Orange	Orleans	Oswego	Otsego	Putnam	Rensselaer
CASH FLOW FROM OPERATING ACTIVITIES:												
Change in net assets	$ 2,945,687	$ (85,536)	$ (417,754)	$ 286,200	$ 4,396	$ 11,883	$ (230,426)	$ (280,069)	$ 65,420	$ 128,759	$ 181,501	$ 805,972
Adjustments to reconcile change in net assets to net cash flow from operating activities:												
Depreciation and amortization	2,570,460	7,071,698	790,237	1,470,083	653,252	1,319,918	1,316,652	302,970	6,563	395,431	945,215	579,217
Realized and unrealized (gain) loss on investments, net	1,731,566	(77,115)	10,438	71,299	74,020	88,608	-	80,665	-	-	-	37,460
Gain on sales or dispositions of assets, net	-	-	(45,036)	(40,860)	2,793	(13,083)	4,620	(1,555)	-	(4,123)	5,163	(66,606)
Bad debt expense	(76,175)	509,154	7,242	-	-	-	-	463	-	-	-	-
Other	(65,736)	(109,312)	15,045	-	2,402	-	7,840	(14,261)	-	(30,109)	257,914	(12,190)
Changes in:												
Receivables	5,004,267	(6,400,060)	(2,345,610)	314,232	1,378,704	380,057	210,017	337,717	26,023	771,692	152,906	599,839
Inventories	-	-	(4,259)	(45,459)	-	13,883	-	-	-	(7,803)	-	45,134
Prepaid expenses and other assets	590,827	(3,122,129)	26,255	640,089	6,559	57,169	778,720	631	(9,746)	291,280	(40,028)	2,706
Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Deferred charges	-	-	-	-	-	63	-	-	-	-	(17,898)	-
Accounts payable	45,491	1,388,583	311,790	(571,381)	156,847	720,725	(18,920)	(317,240)	17,683	31,189	217,118	(44,155)
Accrued expenses and taxes	13,906	2,145,414	(627,235)	(1,073,297)	1,038,008	-	(457,476)	-	12,060	(358,782)	(678,683)	252,338
Due to governmental agencies	(29,762)	1,750,000	663,357	-	(440,579)	74,639	107,905	-	6,608	(7,313)	1,533,532	(107,971)
Deferred revenue, refundable advances and other liabilities	(90,376)	4,937,029	750	68,763	(55,495)	(18,022)	(22,199)	(3,072)	-	-	-	117,425
Net cash flow from operating activities	12,640,155	8,007,726	(1,614,780)	1,119,669	2,820,907	2,635,840	1,696,733	106,249	124,611	1,210,221	2,556,740	2,209,169
CASH FLOW FROM INVESTING ACTIVITIES:												
Proceeds from the sale of property, plant and equipment	-	-	-	49,610	-	33,205	-	1,555	-	4,123	-	208,467
Purchases of property, plant and equipment	(1,997,942)	(4,057,953)	(1,081,079)	(1,196,566)	(868,565)	(680,344)	(896,809)	(70,630)	(38,983)	(503,086)	(569,039)	(363,024)
Purchase of investments	(19,057,491)	(2,993,754)	(105,218)	(944,208)	(479,462)	(658,544)		(948,040)	-	-	-	(179,605)
Proceeds from sales of investments	18,046,060	3,095,310	13	905,355	445,757	619,102	-	470,890	-	-	-	150,456
Change in limited use reserves and deposits refunded	(4,134)	27,655	34,328	-	15,794	39,511	135,447	(4,235)	-	-	9,646	(12,003)
Other investing activities	(195,338)	(3,078,841)	-	(79,788)	(698,299)	-	-	-	-	-	-	-
Net cash flow from investing activities	(3,208,845)	(7,007,583)	(1,151,956)	(1,265,597)	(1,584,775)	(647,070)	(761,362)	(550,460)	(38,983)	(498,963)	(559,393)	(195,709)
CASH FLOW FROM FINANCING ACTIVITIES:												
Proceeds from long-term debt	-	3,117,249	500,000	383,572	815,333	-	-	334,973	-	340,603	65,549	41,446
Repayment of long-term debt	(81,050)	(5,400,135)	(633,510)	(892,869)	(491,150)	(598,356)	(1,016,903)	(525,321)	-	(613,667)	(799,063)	(401,902)
Proceeds from notes payable	-	89,700,000	1,600,000	-	60,877	-	728	-	-	-	-	-
Repayment of notes payable	(110,449)	(89,700,000)	-	-	(21,391)	-	-	-	-	-	-	-
Other financing activities	(246,014)	(79,483)	134,197	-	-	-	17,173	26,933	-	28,633	-	-
Net cash flow from financing activities	(437,513)	(2,362,369)	1,600,687	(509,297)	363,669	(598,356)	(999,002)	(163,415)	-	(244,431)	(733,514)	(360,456)
CHANGE IN CASH AND EQUIVALENTS	8,993,797	(1,362,226)	(1,166,049)	(655,225)	1,599,801	1,390,414	(63,631)	(607,626)	85,628	466,827	1,263,833	1,653,004
CASH AND EQUIVALENTS - beginning of year	24,841,795	9,640,389	1,730,935	8,994,341	2,851,225	1,421,799	2,173,029	1,501,961	830,551	542,887	1,211,703	3,622,261
CASH AND EQUIVALENTS - end of year	$ 33,835,592	$ 8,278,163	$ 564,886	$ 8,339,116	$ 4,451,026	$ 2,812,213	$ 2,109,398	$ 894,335	$ 916,179	$ 1,009,714	$ 2,475,536	$ 5,275,265

See accountant's compilation report.

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Rockland	St. Lawrence	Saratoga	Schenectady	Schoharie	Schuyler	Seneca-Cayuga	Steuben	Suffolk	Sullivan	Ulster	Warren-Washington-Albany
CASH FLOW FROM OPERATING ACTIVITIES:												
Change in net assets	$ (469,401)	$ 62,386	$ 418,274	$ 149,845	$ (108,338)	$ (123,607)	$ 42,462	$ 111,821	$ 369,986	$ 490,447	$ 2,247,304	$ 2,468,410
Adjustments to reconcile change in net assets to net cash flow from operating activities:												
Depreciation and amortization	1,051,501	973,293	1,553,317	1,240,112	479,687	506,637	1,018,057	891,306	1,380,919	1,665,809	1,913,750	1,555,820
Realized and unrealized (gain) loss on investments, net	185,089	118,230	(5,343)	80,266	18,077	259,354	37,754	79,070	10,448	6,943	78,279	9,854
Gain on sales or dispositions of assets, net	-	-	(3,217)	(5,500)	(7,491)	(12,820)	1,476	(19,505)	(3,299)	(218,810)	227,428	-
Bad debt expense	449,112	97,613	-	95,204	6,034	5,000	155	-	(11,070)	149,003	-	22,111
Other	-	(3,300)	-	-	-	(560)	(19,086)	(153,808)	11,135	19,144	(77,235)	-
Changes in:												
Receivables	(137,685)	(156,144)	(220,385)	833,009	122,631	538,757	788,664	130,195	(2,083,083)	542,051	1,959,176	2,042,157
Inventories	-	(5,052)	-	(317)	(25,007)	(4,032)	(17,566)	(32,904)	-	(73,951)	-	-
Prepaid expenses and other assets	(87,403)	(4,301)	471,960	17,340	222,506	(4,629)	303,206	20,226	(374,217)	10,215	667,769	(60,105)
Deposits	(3,390)	-	-	39,974	5,295	-	-	(6,826)	-	-	-	847
Deferred charges	91,177	-	-	-	-	-	-	-	-	56	-	-
Accounts payable	794,532	105,521	76,040	110,615	71,275	(13,313)	24,055	49,470	(1,010,093)	45,203	98,202	(145,729)
Accrued expenses and taxes	(1,110,311)	80,997	(565,075)	(41,330)	(181,470)	(146,436)	(366,131)	(501,920)	-	49,600	(1,140,508)	(642,009)
Due to governmental agencies	(380,448)	-	340,780	(52,058)	26,748	(397,820)	(140,840)	98,715	2,940,500	348,393	(334,576)	(6,230)
Deferred revenue, refundable advances and other liabilities	29,490	124,841	-	-	31,477	-	36,984	21,874	289,975	-	486,705	(61,784)
Net cash flow from operating activities	404,483	1,482,084	2,066,539	2,467,241	680,693	605,731	1,780,270	687,674	720,401	3,235,043	6,126,214	5,183,292
CASH FLOW FROM INVESTING ACTIVITIES:												
Proceeds from the sale of property, plant and equipment			9,201	5,500	9,996	12,820	6,498	44,505	3,209	218,810	19,797	
Purchases of property, plant and equipment	(446,274)	(913,521)	(700,032)	(1,071,941)	(355,148)	(214,673)	(875,131)	(560,858)	(825,817)	(1,307,106)	(3,288,932)	(1,688,920)
Purchase of investments	(561,225)	(2,386,380)	(283,955)	(652,265)	(36,703)	(678,342)	(339,054)	(1,484,097)	-	(225,000)	(3,337,058)	(925,215)
Proceeds from sales of investments	878,468	2,152,779	288,833	585,651	119,099	21,733	325,078	1,299,523	-	-	3,286,552	678,193
Change in limited use reserves and deposits refunded	(292,204)	(9,364)	296	68,100	84,429		79,435				7,159	121,493
Other investing activities	(142,857)			(16,832)				234,989				
Net cash flow from investing activities	(564,092)	(1,156,486)	(685,577)	(1,081,778)	(178,327)	(858,062)	(803,174)	(465,738)	(822,518)	(1,313,296)	(3,312,492)	(1,814,459)
CASH FLOW FROM FINANCING ACTIVITIES:												
Proceeds from long-term debt	-	27,995	-	1,017,187	191,013	-	706,111	207,071	108,950	1,061,145	1,903,613	855,905
Repayment of long-term debt	-	(486,493)	(1,229,011)	(1,665,204)	(358,808)	(327,747)	(703,702)	(440,256)	(878,771)	(1,515,589)	(2,288,096)	(1,238,804)
Proceeds from notes payable	257,828	453,970						25,927		1,250,000		
Repayment of notes payable	(821,079)	-	-	(525,000)	-	-	(1,100,000)	(25,027)	(405,000)	(1,900,000)	-	(2,815,835)
Other financing activities	-	17,234	657,878	67,225	(4,116)	-	32,587	1,360	10,749	-	166,100	41,030
Net cash flow from financing activities	(564,051)	12,706	(571,133)	(1,105,792)	(171,911)	(327,747)	(1,065,004)	(231,825)	(1,164,072)	(1,104,444)	(218,383)	(3,457,704)
CHANGE IN CASH AND EQUIVALENTS	(723,660)	338,304	808,829	279,671	330,455	(580,678)	(78,908)	(9,889)	(1,266,189)	817,303	2,595,339	(88,881)
CASH AND EQUIVALENTS - beginning of year	6,335,214	789,343	2,315,051	315,378	906,058	1,111,647	631,378	3,227,399	12,926,133	1,376,659	7,528,260	3,445,174
CASH AND EQUIVALENTS - end of year	$ 5,611,554	$ 1,127,647	$ 3,123,880	$ 595,049	$ 1,236,513	$ 530,969	$ 552,470	$ 3,217,510	$ 11,659,944	$ 2,193,962	$ 10,123,599	$ 3,356,293

See accountant's compilation report.

Exhibit III

NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Accountant's Compilation Report)
(Continued)

	Wayne	Westchester	Yates
CASH FLOW FROM OPERATING ACTIVITIES:			
Change in net assets	$ 109,306	$ 1,448,643	$ 109,300
Adjustments to reconcile change in net assets to net cash flow from operating activities:			
Depreciation and amortization	773,161	1,559,940	325,533
Realized and unrealized (gain) loss on investments, net	261,499	23,232	-
Gain on sales or dispositions of assets, net	-	2,359	-
Bad debt expense	95,000	111,400	17
Other	13,529	206,247	(181,656)
Changes in:			
Receivables	461,261	739,194	339,727
Inventories	-	-	(12,326)
Prepaid expenses and other assets	-	(89,458)	34,469
Deposits	-	6,387	-
Deferred charges	-	(95,709)	-
Accounts payable	(197,597)	(196,676)	(135,135)
Accrued expenses and taxes	(445,823)	83,220	(13,793)
Due to governmental agencies	-	232,798	(114,263)
Deferred revenue, refundable advances and other liabilities	-	(15,293)	(12,452)
Net cash flow from operating activities	1,070,336	4,016,284	339,421
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property, plant and equipment	717,500	-	-
Purchases of property, plant and equipment	(370,753)	(535,315)	(495,980)
Purchase of investments	(840,387)	(11,656)	-
Proceeds from sales of investments	-	-	-
Change in limited use reserves and deposits refunded	23,630	87,813	-
Other investing activities	-	-	-
Net cash flow from investing activities	(470,010)	(459,158)	(495,980)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	64,978	-	254,527
Repayment of long-term debt	(226,731)	(886,756)	(407,417)
Proceeds from notes payable	-	146,890	1,368,101
Repayment of notes payable	-	(142,038)	(868,101)
Other financing activities	48,011	-	36,345
Net cash flow from financing activities	(113,742)	(881,904)	383,455
CHANGE IN CASH AND EQUIVALENTS	486,584	2,675,222	226,896
CASH AND EQUIVALENTS - beginning of year	6,466,318	7,131,405	1,623,702
CASH AND EQUIVALENTS - end of year	$ 6,952,902	$ 9,806,627	$ 1,850,598

See accountant's compilation report.

NYSARC, INC. CHAPTERS AND THEIR AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION FOR THE
NINE MONTHS ENDING SEPTEMBER 30, 2016 (PRELIMINARY AND UNAUDITED)

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UNAUDITED

NYSARC, Inc.
Chapters and Their Affiliates
Combining Statement of Financial Position
As of September 30, 2016 and September 30, 2015

ASSETS	**9/30/2016**	**9/30/2015**
CURRENT ASSETS		
Cash and cash equivalents	$ 164,709,603	$ 165,055,308
Investments	211,338,420	199,587,405
Restricted deposits and funded reserves	10,995,688	10,495,504
Government receivables	197,340,481	197,340,481
Other receivables	31,683,768	40,789,101
Inventories	14,053,957	14,712,406
Prepaid expenses and other assets	17,076,973	19,582,818
Total Current Assets	$ 647,198,890	$ 646,426,254
NET PROPERTY, PLANT AND EQUIPMENT	401,376,241	383,619,164
OTHER ASSETS	84,093,877	81,576,253
TOTAL ASSETS	$ 1,132,669,008	$ 1,111,621,671
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current installments of long-term debt	$ 36,183,202	$ 29,563,266
Accounts payable, accrued expenses and taxes	149,501,304	186,490,670
Due to governmental agencies	15,423,957	45,219,294
Notes payable	13,573,916	11,808,640
Other current liabilities	50,053,474	17,792,852
Total Current Liabilities	$ 264,735,853	$ 290,874,722
LONG-TERM DEBT, NET OF CURRENT INSTALLMENTS	$ 187,305,300	$ 191,490,288
OTHER LIABILITIES	$ 42,459,412	$ 49,380,750
NET ASSETS		
Unrestricted	$ 619,027,357	$ 560,647,036
Temporarily restricted	16,598,927	16,713,775
Permanently restricted	2,542,159	2,515,100
Total Net Assets	$ 638,168,443	$ 579,875,911
TOTAL LIABILITIES AND NET ASSETS	$1,132,669,008	$ 1,111,621,671

UNAUDITED

NYSARC, Inc.
Chapters and Their Affiliates
Combining Statement of Financial Position
As of September 30, 2016 and September 30, 2015

	9/30/2016	**9/30/2015**
UNRESTRICTED NET ASSETS		
Support and Revenue		
Program revenue	$1,413,818,490	$ 1,332,791,609
Nonprogram revenue	21,410,586	21,432,479
Fundraising	4,977,302	6,484,073
Gain (loss) on sale of investments	9,340,376	(5,812,050)
Net assets released from restrictions	41,034	58,624
Other revenue	3,752,083	4,850,435
Total Support and Revenue	$1,453,339,871	$ 1,359,805,170
Expenses		
Program services	$1,281,582,353	$1,210,599,194
Management and general	111,284,718	121,654,741
Fundraising	2,340,977	2,135,928
Other	5,522,483	5,195,989
Total Expenses	$1,400,730,531	$ 1,339,585,852
Change in Unrestricted Net Assets	$ 52,609,340	$ 20,219,318
TEMPORARILY RESTRICTED NET ASSETS		
Contributions, grants, etc.	$ 325,117	$ 202,732
Interest income	1,010,036	738,644
Other changes and additions	(843,213)	(464,506)
Net assets released from restrictions	(41,034)	(58,624)
Change in Temporarily Restricted Net Assets	$ 450,906	$ 418,246
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	$ -	$ -
Other changes and additions	(254,583)	-
Change in Permanently Restricted Net Assets	$ (254,583)	$ -
Total Change in Net Assets	$ 52,805,663	$ 20,637,564
Net Assets, Beginning of Year	$ 585,362,780	$ 559,238,347
Net Assets, September 30, 2016 and 2015	$638,168,443	$579,875,911

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2017 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Construction of Project

NYSARC agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series 2017 Resolutions and under the Loan Agreement, NYSARC shall complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to the Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause NYSARC to be reimbursed for, or pay, any costs and expenses incurred by NYSARC which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of the Project

NYSARC, with the prior written consent of the Authority, which consent will not be unreasonably withheld, may amend the Project to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake. After the date of the Loan Agreement, NYSARC shall not enter into, amend or modify, by change order or otherwise, any Contract Document that materially affects the scope or nature of the Project, without the prior written approval of the Authority and the Credit Facility Provider, if any, which approval shall not be unreasonably withheld. NYSARC shall deliver to the Authority copies of such change orders as the Authority may from time to time request. NYSARC shall provide such moneys as in the reasonable judgment of the Authority may be required for the cost of completing the Project in excess of the moneys in the Construction Fund established for such Project, whether such moneys are required as a result of an increase in the scope of the Project or otherwise. Such moneys shall be paid to the Trustee for deposit in the Construction Fund within fifteen (15) days after receipt by NYSARC of written notice from the Authority that such moneys are required.

(Section 6)

Financial Obligations

(a) Except to the extent that moneys are available therefor under the Resolution or the Series 2017 Resolutions or under the Loan Agreement, including, without limitation, moneys in the Debt Service Fund (but excluding any moneys from the Debt Service Reserve Fund, any moneys from a draw under a Credit Facility, if any, and interest accrued but unpaid on investments held in the Debt Service Fund), NYSARC unconditionally agrees to pay or cause to be paid with respect to the Bonds, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(i) On or before the date of delivery of the Bonds, the Authority Fee agreed to by the Authority and NYSARC in connection with issuance of the Bonds;

(ii) On or before the date of delivery of the Bonds, such amount, if any, as is required, in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of such Bonds, and other costs in connection with the issuance of such Bonds;

(iii) [Reserved]

(iv) On or before the tenth (10^{th}) day of each month commencing on the tenth (10^{th}) day of the sixth (6^{th}) month immediately preceding the date on which interest on Outstanding Bonds that are not Variable Interest Rate Bonds becomes due, one-sixth (1/6) of the interest coming due on such Bonds on the immediately succeeding interest payment date on such Bonds; ***provided, however***, that, if with respect to such Outstanding Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Bonds, on each payment date prior to such interest payment date NYSARC shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on such Bonds;

(v) On or before the tenth (10^{th}) day of each month commencing on the tenth (10^{th}) day of the July immediately preceding the July 1 (or in the case of Sinking Fund Installments with respect to Outstanding Variable Interest Rate Bonds with respect to which July 1 is not an interest payment date, on the interest payment date immediately succeeding July 1) on which the principal or a Sinking Fund Installment of Outstanding Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installment on such Bonds coming due on such date; ***provided, however***, that, if with respect to the Outstanding Bonds there are less than twelve (12) such payment dates prior to the date (or immediately succeeding interest payment date) on which principal or Sinking Fund Installments come due on such Bonds, on each payment date prior to such date (or interest payment date) NYSARC shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments of such Bonds coming due on such date (or interest payment date) multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such date; ***provided, however***, with respect to Sinking Fund Installments of Option Bonds or Variable Interest Rate Bonds that come due in months other than July, the terms of this subsection shall apply except that references to July shall be replaced with the applicable month(s) in which the related Sinking Fund Installment comes due;

(vi) [Reserved]

(vii) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased, other than an Option Bond to be purchased or redeemed pursuant to an optional or mandatory tender thereof or Bonds being redeemed pursuant to Sinking Fund Installments in accordance with clause (d) above, is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(viii) The Annual Administrative Fee, at the times and in the amounts set forth in the Loan Agreement;

(ix) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the

Authority (1) for the Authority Fee then unpaid, (2) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (3) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, including but not limited to any fees or other amounts payable by the Authority under a Remarketing Agreement, a Liquidity Facility or a Credit Facility, (4) for the costs and expenses incurred by the Authority to compel full and punctual performance by NYSARC of all the provisions of the Loan Agreement or of the Resolution or of the Series 2017 Resolutions in accordance with the terms thereof, (5) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution and (6) to pay any Provider Payments then due and unpaid;

(x) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by NYSARC as a result of an acceleration pursuant to the Loan Agreement;

(xi) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds, the interest of which is excluded from gross income for federal income tax purposes, or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with such Bonds;

(xii) [Reserved]

(xiii) [Reserved]

(xiv) To the extent not otherwise set forth in the Loan Agreement, including without limitation, in the event of any insufficiency, any amounts necessary to pay the principal, Sinking Fund Installments or Redemption Price associated with other redemptions, if any, of, and interest on, the Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Resolution and the Series 2017 Resolutions, whether at maturity, upon acceleration, redemption or otherwise.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series 2017 Resolutions, NYSARC shall receive a credit against the amount required to be paid by NYSARC during a Bond Year pursuant to the Loan Agreement on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, either (A) NYSARC delivers to the Trustee for cancellation one or more Bonds of the maturity to be so redeemed or (B) the Trustee, at the direction of the Authority, has purchased one or more Bonds of the maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

The Authority directs NYSARC, and NYSARC agrees, to make the payments required by the Loan Agreement as follows: (1) the payments required by Section 9(a)(iv), (vii) (v), (x) and (xiv) of the Loan Agreement directly to the Trustee for deposit and application in accordance with Section 5.05 of the Resolution; (2) the payments required by Section 9(a)(ii) of the Loan Agreement directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution, as directed by the Authority; (3) the payments required by Section 9(a)(i), (viii) and (ix) of the Loan Agreement directly to the Authority; and (4) except as otherwise provided by this paragraph, the payments required by Section 9(a)(xi) of the Loan Agreement to or upon the written order of the Authority.

(b) (i) Notwithstanding the foregoing, to the extent the Authority shall have received Public Funds on account of the payments required by the Loan Agreement, such amounts received shall be credited against any payments due from NYSARC with respect to its obligations thereunder, and are Revenues which shall be paid by the Authority to the Trustee. To the extent the Authority shall have received Public Funds on account of the payments required by the Loan Agreement, such amounts received shall be credited against any payments due from NYSARC with respect to its obligations thereunder, and shall be retained by the Authority.

(ii) Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this subdivision), all moneys paid by NYSARC to the Trustee pursuant thereto or otherwise held by the Trustee shall be applied in reduction of NYSARC's indebtedness to the Authority thereunder, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Except as otherwise provided in the Resolution, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Holders of Bonds and any Provider of a Credit Facility, regardless of the actual due date or payment date of any payment to the Holders of Bonds.

(c) The obligations of NYSARC to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non–happening of any event, irrespective of any defense or any right of set–off, recoupment or counterclaim which NYSARC may otherwise have against the Authority, the Trustee or any Holder of Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of NYSARC to complete a Project or the completion thereof with defects, failure of NYSARC to occupy or use a Project, any declaration or finding that the Bonds are or the Resolution or either of the Series 2017 Resolutions is invalid or unenforceable or any other failure or default by the Authority or the Trustee; ***provided, however***, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part therein contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, NYSARC may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse NYSARC for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project available therefor.

The Loan Agreement and the obligations of NYSARC to make payments thereunder are general obligations of NYSARC.

(d) The Authority, for the convenience of NYSARC, shall furnish to NYSARC statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided thereby. NYSARC shall notify the Authority as to the amount and date of each payment made to the Trustee by NYSARC.

(e) The Authority shall have the right in its sole discretion to make on behalf of NYSARC any payment required pursuant to the Loan Agreement which has not been made by NYSARC when due. The Authority shall promptly provide notice of any such payment to NYSARC. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the Loan Agreement arising out of NYSARC's failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of NYSARC to make such payment.

(f) NYSARC, if it is not then in default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in the Debt Service Fund and applied in accordance with the Resolution or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by NYSARC or any payment made pursuant to the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Bonds; ***provided, however***, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolutions; including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of NYSARC, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(g) If NYSARC elects to purchase Bonds, with the written consent of the Authority, NYSARC shall give written notice to the Authority and the Trustee whenever Bonds are to be purchased at the election of NYSARC, which written notice shall include the maturity and principal amount of the Bonds to be so purchased. All such purchases shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for each such purchase.

(h) Promptly upon demand by the Tender Agent or the Authority, NYSARC shall pay to the Tender Agent such compensation due the Tender Agent in accordance with the provisions of the Applicable Bond Series Certificate relating to the Bonds.

(Section 9)

Reserve Funds

NYSARC will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Debt Service Reserve Fund Requirement, if any, provided that NYSARC shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such fund only after the notice required by the Resolution is given.

NYSARC may deliver to the Trustee a Reserve Fund Facility for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and NYSARC is required to restore the Debt Service Reserve Fund to the level of the Debt Service Reserve Fund Requirement, NYSARC shall reimburse directly, or pay to the Authority an amount sufficient to reimburse, the Applicable Provider in order to cause such Reserve Fund Facility to be restored to its full amount and shall then deliver any additional moneys or Government Obligations or Exempt Obligations necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

The delivery to the Trustee of Government Obligations, Exempt Obligations, other securities and any Reserve Fund Facility from time to time made by NYSARC pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of NYSARC's obligations thereunder and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. NYSARC authorizes the Authority pursuant to the Resolution to pledge such Government Obligations, Exempt Obligations, other securities and Reserve Fund Facility to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Series 2017 Resolutions.

All Government Obligations, Exempt Obligations and other securities deposited with the Trustee pursuant to the Loan Agreement, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGS") (subject to provisions for registration thereof), and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Government Obligations, Exempt Obligations and other securities in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Government Obligations, Exempt Obligations and other securities shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. NYSARC appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

NYSARC agrees that upon each delivery to the Trustee of Government Obligations or Exempt Obligations, whether initially or upon later delivery or substitution, NYSARC shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of NYSARC to the effect that NYSARC warrants and represents that the Government Obligations, Exempt Obligations or other securities delivered by NYSARC:

(i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated by the Loan Agreement, by the Series Resolutions or by the Resolution; and

(ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of NYSARC duly had and taken.

Prior to the initial delivery of Government Obligations, Exempt Obligations or other securities to the Trustee pursuant to the Loan Agreement, and upon any later delivery or substitution, NYSARC will, at its cost and expense, provide to the Authority and the Trustee a written opinion of counsel satisfactory to the Authority to the effect that NYSARC has full corporate power and authority to pledge such Government Obligations, Exempt Obligations and other securities as security in accordance with the Loan Agreement, such Government Obligations, Exempt Obligations and other securities have been duly delivered by NYSARC to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms of the Loan Agreement and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Government Obligations, Exempt Obligations and other securities delivered by NYSARC are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Loan Agreement or by the Resolution.

(Section 10)

Security Interest in Pledged Revenues

As security for the payment of all liabilities and the performance of all obligations of NYSARC pursuant to the Loan Agreement, NYSARC continuously pledges, grants a security interest in, and assigns to the Authority the Pledged Revenues, together with NYSARC's right to receive and collect such Pledged Revenues and the proceeds of such Pledged Revenues. This pledge, grant of security interest in and assignment of the Pledged Revenues shall be subordinate only to the Prior Pledges.

NYSARC represents and warrants that no part of the Pledged Revenues or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, other than the Prior Pledges and any parity interest granted, with the consent of the Authority, to the holder of any other indebtedness incurred to provide additional financing for the Project, and that the Pledged Revenues assigned pursuant to the Loan Agreement are legally available to provide security for NYSARC's performance thereunder. NYSARC agrees that it shall not hereafter (nor permit any related party to) create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the OPWDD Revenues which is prior or equal to the pledge made by this Section. NYSARC also agrees that it shall not hereafter (nor permit any related party to) create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge made by this Section, except that NYSARC shall be permitted to create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues (excluding OPWDD Revenues) that is on a parity with the interest granted by this Section as provided in the Loan Agreement or with the prior written consent of the Authority.

(Section 11)

Collection of Pledged Revenues

(a) Any Pledged Revenues collected by NYSARC that are not required to be paid to the Trustee pursuant to the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution or the Series 2017 Resolutions, shall be free and clear of the security interest granted hereby and may be disposed of by NYSARC for any of its corporate purposes unless and until:

> (i) an Event of Default (as defined in the Loan Agreement), or any event which with the passage of time or the giving of notice, or both, would be an Event of Default, has occurred and is continuing; or
>
> (ii) there has occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by NYSARC as required by the Loan Agreement or the Resolution.

(b) (i) NYSARC agrees to direct the payment of Public Funds, otherwise payable to NYSARC, to the Authority for deposit in the Applicable Debt Service Fund or to discharge other obligations of NYSARC under the Loan Agreement as they become due. Pursuant to the Act, the Loan Agreement and the Assignment, NYSARC has assigned and pledged to the Authority, and agreed to assign and pledge to the Authority, the Public Funds in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement. In addition to the Assignment, NYSARC agrees to execute and deliver, from time to time, such additional documents as may be required by the Authority, the Trustee, OPWDD, the Comptroller, DOH, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State to authorize or implement such payment of Public Funds to the Authority or the Trustee, as appropriate, in an amount sufficient to pay all amounts required to be paid under the Loan Agreement. NYSARC further acknowledges that all state and local officers are authorized and required to pay any Public Funds so assigned and pledged to the Authority in accordance with the Loan Agreement. The Authority may periodically file a certificate with OPWDD, the Comptroller, DOH, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State setting forth the amount of Public Funds required to be paid to satisfy the obligations of NYSARC under the Loan Agreement, which certificate may be amended by the Authority from time to time. Copies of said certificate and any amendments thereto filed pursuant to the Loan Agreement shall be delivered to the Trustee and NYSARC.

(ii) Unless and until an event described in the Loan Agreement shall have occurred, the Authority waives its right to collect those amounts payable to the Authority pursuant to the Loan Agreement, including the OPWDD Revenues payable to the Authority. Upon the occurrence of an event described in the Loan Agreement and unless the Authority shall have agreed otherwise, the Authority shall, in addition to all other remedies available thereto pursuant to the Loan Agreement, cause the Public Funds described in the Loan Agreement 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.

(Section 12)

Rate Covenant

NYSARC will maintain in each Fiscal Year Unrestricted Revenue sufficient to produce in each Fiscal Year a Debt Service Coverage Ratio equal to or greater than 1.00 with respect to all outstanding Long Term Debt of NYSARC. NYSARC shall prepare and deliver to the Trustee and the Authority a certificate as to its Debt Service Coverage Ratio demonstrating compliance and detailing the calculation thereof (1) not later than 150 days after the end of each Fiscal Year, based on preliminary financial statements of NYSARC for such Fiscal Year, and (2) not later than 365 days after the end of each Fiscal Year, based on the final financial statements of NYSARC for such Fiscal Year.

(Section 13)

Limitation on Indebtedness

NYSARC may incur additional Long Term Debt secured on a parity (but not senior) basis with respect to the Pledged Revenues (excluding OPWDD Revenues) without obtaining the prior consent of the Authority, provided that, at the time NYSARC proposes to incur such additional Long Term Debt:

(a) NYSARC has outstanding Long Term Debt (including the Bonds) rated, without regard to any Credit Facility or other credit enhancement, "A" or higher (without regard to numeric or "+" or "-" modifiers) by at least one of the Rating Services; and

(b) NYSARC demonstrates that the Debt Service Coverage Ratio with respect to all existing Long Term Debt of NYSARC and the proposed additional Long Term Debt shall be equal to not less than (1) 1.00 if the purpose of the Long Term Debt proposed to be incurred is to finance projects for which NYSARC has received from OPWDD a "Prior Property Approval" or (2) 1.10 if the Long Term Debt is proposed to be incurred for any purpose not covered by a Prior Property Approval, in each case for the most recently completed Fiscal Year preceding the incurring of the proposed additional Long Term Debt. For purposes of calculating the Debt Service Coverage Ratio under this subdivision, NYSARC will divide Net Revenues Available for Debt Service for the most recently completed Fiscal Year by the sum of the Maximum Annual Debt Service required to be paid on all Long Term Debt outstanding at the time the calculation is made and the Maximum Annual Debt Service on the proposed additional Long Term Debt. All calculations shall be evidenced by a written certificate of an independent certified public accountant or by an officer of NYSARC.

NYSARC may incur Short Term Indebtedness without limitation provided that, with respect to such indebtedness, during any 12-month period, there will be no outstanding balance for a period of not less than 30 days or such shorter period as acceptable to the Authority. Notwithstanding the foregoing, NYSARC may incur or allow to remain outstanding Short Term Indebtedness in any Fiscal Year in an amount that is not greater than 16 percent of the Unrestricted Revenues reported for the Fiscal Year prior to the most recently concluded Fiscal Year.

(Section 14)

Warranty of Title; Utilities and Access

NYSARC warrants, represents and covenants to the Authority with respect to each component of the Project financed by the Bonds that (a) NYSARC or a related party has good and marketable title to each component of the Project owned by NYSARC or a related party, and a good and valid leasehold interest in any Project component leased to NYSARC or a related party, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and NYSARC's programs and (b) NYSARC or a related party has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from all components of the Project for proper operation and utilization of the Project and for utilities required to serve the Project, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction, use and operation by NYSARC of the Project.

NYSARC warrants, represents and covenants that each Project (i) is and will be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air–conditioning and ventilation) and (ii) to the extent applicable, has and will have its own separate and independent means of access, apart from any other property owned by NYSARC or others; ***provided, however***, that such access may be through common roads or walks owned by NYSARC used also for other parcels owned by NYSARC.

NYSARC covenants that title to its interest in each component of the Project shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances, and such other encumbrances approved in writing by the Authority and any Applicable Provider.

(Section 15)

Consent to Pledge and Assignment

NYSARC consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to the Loan Agreement, any or all security interests granted by NYSARC thereunder, including without limitation the security interest in the Pledged Revenues, the Government Obligations, the Exempt Obligations and other securities delivered pursuant to the Loan Agreement, any Mortgage, any security interest in the fixtures, furnishings and equipment located on any Mortgaged Property and all funds and accounts established by the Resolution (other than the Arbitrage Rebate Fund) and pledged under the Resolution, in each case to secure any payment or the performance of any obligation of NYSARC under the Loan Agreement or arising out of the transactions contemplated thereby, whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. NYSARC further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by this Section, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing NYSARC's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by NYSARC thereunder.

NYSARC covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws to enter into this Loan Agreement and any Mortgage, to incur the indebtedness contemplated thereby, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders, the Pledged Revenues and the Government Obligations, the Exempt Obligations and other securities delivered pursuant to the Loan Agreement in the manner and to the extent provided therein and in the Resolution. NYSARC further covenants, warrants and represents that any and all pledges, security interests in and assignments to the Authority and the Trustee for the benefit of the Bondholders granted or made pursuant to the Loan Agreement or pursuant to any Mortgage are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Permitted Encumbrances, and that all corporate action on the part of NYSARC and any parties related thereto, to that end has been duly and validly taken. NYSARC further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of NYSARC in accordance with their terms. NYSARC further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Pledged Revenues and the Government Obligations, Exempt Obligations, any Mortgage and other securities delivered pursuant to the Loan Agreement and all of the rights of the Authority and Trustee for the benefit of the Bondholders thereunder, under the Series Resolution and under the Resolution against all claims and demands of all persons whomsoever, except claims or demands related to Permitted Encumbrances. NYSARC further covenants, warrants and represents that the execution and delivery of the Loan Agreement and of the Assignment, and the consummation of the transactions contemplated by the Loan Agreement and the Assignment and compliance with the provisions thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations, Exempt Obligations, any Reserve Fund Facility and other securities delivered to the Trustee pursuant to the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of NYSARC (or any party related thereto) or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which NYSARC (or any party related thereto) is party or by which it or any of its or their properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over NYSARC, any party related thereto or any of its or their properties.

(Section 16)

Tax–Exempt Status

NYSARC represents that:

(i) it and each of its related parties are organizations described in Section 501(c)(3) of the Code, Section 501(c)(2) of the Code, or corresponding provisions of prior law;

(ii) it and they have received a letter or other notification from the Internal Revenue Service to that effect;

(iii) such letters or other notification has not been modified, limited or revoked;

(iv) it and each of its related parties is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification;

(v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist; and

(vi) it and each of its related parties is exempt from federal income taxes under Section 501(a) of the Code.

(b) NYSARC agrees that:

(i) it and each of its related parties will not perform any act or enter into any agreement that could adversely affect the status of NYSARC as an organization described in Section 501(c)(3) of the Code exempt from federal income taxes under Section 501(a) of the Code and not a private foundation as described in Section 509(a) of the Code and will conduct their operations in a manner conforming to the standards necessary to maintain the qualifications of NYSARC as such an organization; and

(ii) it and each of its related the parties will not perform any act, enter into any agreement or use or permit a Project to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of NYSARC, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

As used in this Section, the term "related party" means an entity that is a member of a "controlled group" of which NYSARC is also a member. The term "controlled group" means a "controlled group" as described in 26 CFR 1.150-1(e).

(Section 17)

Securities Act Status

NYSARC represents that: (a) it is an organization organized and operated (i) exclusively for educational, benevolent or charitable purposes and (ii) not for pecuniary profit; and (b) no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. NYSARC agrees that it shall not perform any act or enter into any agreement which shall adversely affect such status as set forth in this Section.

(Section 18)

Maintenance of Corporate Existence

NYSARC covenants that it will (a) maintain its corporate existence, (b) continue to operate as a non-profit organization for educational or charitable purposes as set forth in its charter, (c) obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditation as may be necessary for the continued operation of NYSARC and its related entities as institutions for educational or charitable purposes as set forth in their respective charters providing such services as they may from time to time determine, (d) except as expressly permitted by the Loan Agreement, not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another person or permit one or more persons to consolidate with or merge into it. NYSARC, with the prior written consent of the Authority, which consent shall not be unreasonably withheld, may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies as an organization described in Section 501(c)(3) of the Code, or any successor provision of federal income tax law, (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or other organizations. Notwithstanding the foregoing provisions of this Section, no disposition, transfer, consolidation or merger otherwise permitted by the Loan Agreement shall be permitted unless (A) the same would not in the opinion of Bond Counsel adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation, (B) NYSARC will not as a result thereof be in default under the Loan Agreement or under any Related Agreement, (C) the surviving, resulting or transferee corporation, as the case may be, is incorporated or qualified to do business or operate under the laws of the State and is qualified as an organization described in Section 501(c)(3) of the Code or any successor provision of federal income tax law, and (D) the surviving, resulting or transferee corporation of NYSARC assumes in writing all of the obligations of NYSARC under the Loan Agreement, under the Continuing Disclosure Agreement, if any, and under the Related Agreements, and furnishes to the Authority (1) a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation will be in compliance with each of the provisions of the Loan Agreement and of the Related Agreements, and will meet the requirements of the Act, and (2) such other certificates and documents as the Authority may reasonably require to establish compliance with this Section.

(Section 19)

Environmental Quality Review and Historic Preservation

For the purpose of assisting the Authority in making any findings or determinations which might be required by (i) Article 8 of the New York Environmental Conservation Law and the regulations promulgated thereunder (collectively, "SEQR") or (ii) the New York State Historic Preservation Act of 1980 and the regulations promulgated thereunder (collectively, the "Preservation Act"), NYSARC will:

(a) prepare such documents, if any, as the Authority or other governmental body having primary responsibility under SEQR or the Preservation Act determines are required by SEQR or the Preservation Act, in such form and containing such information in such detail as the Authority or such other governmental body determines is required by SEQR or the Preservation Act; and

(b) file such documents with, or send such documents to, the persons or places required by SEQR or the Preservation Act or the Authority, and present documentation of such filing or sending in such form as is satisfactory to the Authority.

(Section 20)

Use and Possession of the Project; Sale of Project Components; Release of Project Components

NYSARC agrees that, unless in the opinion of Bond Counsel a Project may be occupied or used other than as required by this Section, at least 97% of each Project shall be used by NYSARC or leased by NYSARC to another organization described in Section 501(c)(3) of the Code or a governmental entity only for activities of NYSARC, such other organization or governmental entity that will not adversely affect the classification of the Bonds as "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code, subject to and consistent with the requirements of the Loan Agreement.

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, NYSARC and the appropriate related party shall have sole and exclusive control of, possession of and responsibility for (i) each Project, (ii) the operation of each Project and supervision of the activities conducted therein or in connection with any part thereof, and (iii) the maintenance, repair and replacement of each Project.

NYSARC covenants that it will not transfer, sell or convey any Project or any part thereof or interest therein, including development rights, without the prior approval of the Authority and the Credit Facility Provider, if any, unless (i) in the opinion of Bond Counsel, the same will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes and (ii) NYSARC pays to the Trustee either for deposit into the Debt Service Fund, or, pursuant to the Resolution, to be set aside or to purchase Defeasance Securities in accordance with the direction of the Authority, an amount equal to the greater of:

(i) the amount, if any, which is sufficient to redeem or provide for payment in accordance with the Resolution of any Outstanding Bonds required to be redeemed or deemed paid in order to preserve the exclusion of interest on Bonds from gross income for federal income tax purposes; and

(ii) the lesser of (A) the net proceeds of such transfer, sale or conveyance or (B) a percentage of the Outstanding Bonds determined by dividing (1) the principal amount of Bonds issued to finance the portion of such Project being transferred, sold or conveyed (which principal amount shall be reasonably determined by the Authority) by (2) the aggregate principal amount of Bonds issued.

The Authority agrees that it will execute and deliver to NYSARC any and all instruments necessary or appropriate to release the lien of the Mortgage upon any portion of the Project as to which:

(i) no portion of the principal amount of the Bonds Outstanding are allocable under any allocation of the principal amount of Bonds to portions of the Project which may have been established in the records of the Authority upon, or at any time after, the issuance of the Bonds, and

(ii) the period established in the records of the Authority upon, or at any time after, the issuance of the Bonds during which a portion of the principal amount of the Bonds Outstanding was expected to be Outstanding has expired,

provided, however, that (x) no Event of Default exists under the Loan Agreement and (y) the Authority is in receipt of a written request of NYSARC for such release, accompanied by NYSARC's certification as to facts establishing that, based on records of NYSARC, items (i) and (ii) have been satisfied. The release of the lien of the Mortgage contemplated by this provision does not remove the affected property as part of the Project for purposes of the Loan Agreement absent an amendment of the Loan Agreement to such effect and receipt by the Authority of an opinion of Bond Counsel as contemplated above as though such portion of the Project was being transferred, sold or conveyed.

(Section 21)

Restrictions on Religious Use

NYSARC agrees that with respect to any Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; ***provided, however***, that the foregoing restriction shall not prohibit the free exercise of any religion; ***provided, further***, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit such Project or portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether a Project or any portion or real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. NYSARC further agrees that prior to any disposition of any portion of a Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (a) so long as such portion of such Project (and, if included in a Project, the real property on or in which such portion of such Project is situated) shall exist and (b) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this Section an involuntary transfer or disposition of a Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 22)

Maintenance, Repair and Replacement

NYSARC agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain each Project facility, including equipment, in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and safe condition, reasonable wear and tear excepted, and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted. NYSARC shall give the Authority not less than fifteen (15) days prior written notice of its intention to make a change or alteration that materially alters the scope or nature of any Project facility, including equipment, or a portion thereof. NYSARC shall have the right to remove or replace any type of fixtures, furnishings and equipment in any Project facility which may have been financed by the proceeds of the sale of Bonds if obsolete and no longer needed for such Project facility or if NYSARC substitutes for any such removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced.

NYSARC further agrees that it shall pay at its own expense all extraordinary costs of maintaining, repairing and replacing each Project facility, including equipment, except insofar as funds are made available therefor from proceeds of insurance, condemnation or eminent domain awards.

(Section 23)

Covenant as to Insurance

NYSARC agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance of such types, against such risks and in such amounts, subject to reasonable deductible provisions, as is customarily carried by entities located in the State of a nature similar to that of

NYSARC. Without limiting the generality of the foregoing, such insurance shall include property damage, fire and extended coverage, public liability, property damage liability and commercial general liability insurance and shall be in amounts estimated to indemnify the reasonably anticipated damages, loss or liability. NYSARC shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

NYSARC shall furnish to the Authority annually (1) a certificate or report of an Insurance Consultant that the insurance coverage maintained by NYSARC is adequate and in accordance with the standards above, and (2) any certificates of workers' compensation insurance and disability benefits insurance coverage required by the New York State Workers' Compensation Board.

If the Authority shall so request in writing, NYSARC shall provide to the Authority summaries or other evidence of its insurance coverage and shall obtain endorsements reasonably requested by the Authority.

(Section 24)

Damage or Condemnation

In the event of a taking of any Project facility or any portion thereof by eminent domain or condemnation, or of damage or destruction affecting all or part thereof, all property casualty insurance, condemnation or eminent domain proceeds not applied to reimburse NYSARC for costs incurred to repair or restore the same, and subject to the provisions of the Intercreditor Agreement and the Related Agreements, if any, shall be paid to the Trustee for deposit in the Construction Fund. Subject to the provisions of any Intercreditor Agreement and Related Agreements, all proceeds derived from an award for such taking or from property casualty insurance shall be applied as provided below.

If within one hundred twenty (120) days (or such longer period as the Authority and NYSARC may agree) after the Authority receives actual notice or knowledge of the taking or damage, NYSARC, the Applicable Provider, if any, and the Authority agree in writing that the property or the affected portion thereof shall be repaired, replaced or restored, NYSARC shall proceed to repair, replace or restore the same, or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of NYSARC and approved in writing by the Authority and the Applicable Provider, if any. The funds required for such repair, replacement or restoration shall be paid, subject to such conditions and limitations as the Authority and the Applicable Provider, if any, may impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and to the extent such proceeds are not sufficient, from funds to be provided by NYSARC.

If no agreement for the repair, restoration or replacement of the property or affected portion shall have been reached by the Authority, the Applicable Provider, if any, and NYSARC within such period, the proceeds then held by NYSARC shall be paid the Trustee for deposit in the Debt Service Fund and the proceeds then held in the Construction Fund shall be transferred to the Debt Service Fund, whereupon such proceeds shall be applied to the purchase or redemption of Outstanding Bonds allocable to the affected portions of the Project (as determined by the Authority).

(Section 25)

Taxes and Assessments

NYSARC shall pay, or cause to be paid, when due, at its own expense, and hold the Authority harmless from all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Project or any part thereof; provided, however, that the foregoing shall not be deemed to constitute an obligation on NYSARC to assume liabilities or obligations of the landlord with respect to any property leased by NYSARC in which some portion of the Project is located. NYSARC shall file or cause to be filed exemption certificates as required by Governmental Requirements. NYSARC agrees to provide to the Authority within 10 days after written demand by the Authority, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; provided, however, that the good faith contest of such impositions shall be deemed to be complete compliance with the requirements of the Loan Agreement if NYSARC deposits with the Authority the full amount of such contested impositions.

Notwithstanding the foregoing, the Authority, in its sole discretion, after notice in writing to NYSARC, may pay (such payment shall be made under protest if so requested by NYSARC) any such charges, taxes and assessments if, in the reasonable judgment of the Authority, the Project or any part thereof, would be in substantial danger by reason of NYSARC's failure to pay such charges, taxes and assessments of being sold, attached, forfeited, foreclosed, transferred, conveyed, assigned or otherwise subjected to any proceeding, equitable remedy, lien, charge, fee or penalty that would impair:

(i) the interests or security of the Authority under the Loan Agreement, under the Series 2017 Resolutions or under the Resolution;

(ii) the ability of the Authority to enforce its rights under the Resolution, the Series 2017 Resolutions or the Loan Agreement;

(iii) the ability of the Authority to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement or under the Series 2017 Resolutions or under the Resolution; or

(iv) the ability of NYSARC to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement or under the Series 2017 Resolutions or under the Resolution.

NYSARC agrees to reimburse the Authority for any such payment, with interest thereon from the date payment was made by the Authority at a rate equal to the highest rate of interest payable on any investment held for the Debt Service Fund on the date such payment was made by the Authority.

(Section 26)

Defaults and Remedies

As used in the Loan Agreement, the term **"Event of Default"** shall mean:

(i) NYSARC shall default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid by or on behalf of NYSARC in accordance therewith or with the Resolution or the Series 2017 Resolutions, and such default continues for a period in excess of seven (7) days; or

(ii) NYSARC defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to NYSARC by the Authority or the Trustee or, if such default is not capable of being cured within thirty (30) days, NYSARC fails to commence within said thirty (30) days to cure the same and to diligently prosecute the cure thereof; or

(iii) as a result of any default in payment or performance required of NYSARC under the Loan Agreement or any other Event of Default thereunder, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or

(iv) NYSARC shall (A) be generally not paying its debts as they become due, (B) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (C) make a general assignment for the benefit of its general creditors, (D) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

(v) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by NYSARC, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding–up or liquidation of NYSARC, or any petition for any such relief shall be filed against NYSARC and such petition shall not be dismissed or stayed within ninety (90) days; or

(vi) NYSARC's status as a corporation under State law shall be suspended or revoked or its charter or certificate of incorporation shall be suspended or revoked; or

(vii) a petition to dissolve NYSARC shall be filed by NYSARC in any court of the State or with the legislature of the State or other governmental authority having jurisdiction over NYSARC; or

(viii) an order of dissolution of NYSARC shall be made by a court or the legislature of the State or other governmental authority having jurisdiction over NYSARC, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(ix) a petition shall be filed with a court having jurisdiction for an order directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to NYSARC which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days; or

(x) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to NYSARC, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

(xi) a final non-appealable judgment for the payment of money which is not covered by insurance or reserves set aside by NYSARC, which in the judgment of the Authority will adversely affect the rights of the Holders of the Bonds shall be rendered against NYSARC and at any time after forty–five (45) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) NYSARC shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within forty–five (45) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal; or

(xii) the giving of notice by the Provider of the Applicable Credit Facility, if any, to the Authority and the Trustee (A) of an Event of Default under and as defined in the Credit Facility or a Related Agreement, which pursuant to the terms of the Credit Facility or Related Agreement, gives the Provider a right to request the Trustee to direct a mandatory tender of the Applicable Bonds, and (B) requesting the Trustee to direct a mandatory tender of the Bonds in accordance with the Bond Series Certificate with respect to the Bonds.

Subject to the Intercreditor Agreement, if any, and the Prior Pledges, upon the occurrence of an Event of Default, the Authority shall provide the Provider of any Applicable Credit Facility with written notice thereof upon obtaining actual knowledge thereof and may take any one or more of the following actions:

(i) declare all sums payable by NYSARC under the Loan Agreement immediately due and payable;

(ii) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of Bonds or the Construction Fund or otherwise to which NYSARC may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(iii) withhold any or all further performance under the Loan Agreement;

(iv) maintain an action against NYSARC under the Loan Agreement to recover any sums payable by NYSARC or to require its compliance with the terms thereof or of any Mortgage;

(v) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligation or liability of NYSARC or the Authority arising from the Loan Agreement, from the Series 2017 Resolutions or from the Resolution;

(vi) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of NYSARC, consent to such entry being given by NYSARC, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by NYSARC and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by NYSARC in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by NYSARC, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of the Loan Agreement, (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine in good faith to be necessary or proper. NYSARC shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of the Loan Agreement or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by NYSARC to the Authority upon demand. NYSARC hereby irrevocably constitutes and appoints the Authority its true and lawful attorney–in–fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of NYSARC for the purpose of exercising the rights granted to the Authority by the Loan Agreement during the term thereof;

(vii) realize upon any security interest which the Authority may then have in the pledge and assignment of the Pledged Revenues and the rights to receive the same, all to the extent provided in the Loan Agreement, by any one or more of the following actions: (A) enter the primary business office of NYSARC and examine and make copies of the financial books and records of NYSARC relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of NYSARC representing Pledged Revenues or proceeds thereof; (B) notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that the Authority may, in its discretion, immediately collect the entire amount of interest, principal, and Sinking Fund Installments, if any, coming due with respect to the Bonds on or before the next July 1 and January 1 (or, if the Bonds are Variable Interest Rate Bonds, on the interest payment dates occurring on or immediately after the next July 1 and January 1), to the extent of Pledged Revenues, and may continue to do so commencing on each July 1 and January 1 (or, in the case of Variable Interest Rate Bonds, on each interest payment date on or immediately succeeding each July 1 and January 1) to the extent of amounts due to the Authority under the Loan Agreement on the next July 1 and January 1 (or immediately succeeding interest payment date), with respect to Pledged Revenues, until such amounts are fully collected; provided, however, that written notice of such notification shall be mailed to NYSARC five (5) business days prior to mailing or otherwise making such notification to account debtors; and provided further that until NYSARC shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; (C) following the above-mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from NYSARC's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of NYSARC whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require NYSARC to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority, provided that the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of NYSARC under the Loan Agreement including the fees and expenses of the Authority, and provided further that the Authority in its sole discretion may authorize NYSARC to make withdrawals from such fund or account for its corporate purposes, and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to NYSARC when all Events of Default under the Loan Agreement by NYSARC have been cured; (E) forbid NYSARC to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; (F) endorse in the name of NYSARC any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof; and (G) follow the procedures for the collection of Public Funds as provided in the Act and S the Loan Agreement; and

(viii) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement or under any Mortgage or by law, including any action or proceeding permitted by the terms of the Loan Agreement, by the terms of any Mortgage or by law.

All rights and remedies given or granted to the Authority in the Loan Agreement are cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made pursuant thereto and its consequences if such Event of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 30)

Investment of Moneys

NYSARC acknowledges that the Authority may in its sole discretion direct the investment of certain moneys held under the Resolution and the Series 2017 Resolutions as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of the Resolution in the manner provided therein, or for any loss, direct or indirect, resulting from any such investment. The Authority hereby agrees that it shall direct the making of investments as permitted by the Resolution as soon as practicable when moneys are legally available therefor.

(Section 36)

Limitation on Agreements

NYSARC shall not enter into any contract or agreement which impairs NYSARC's ability to comply with the provisions of the Loan Agreement in any material respect.

(Section 38)

Arbitrage; Tax Exemption

Each of NYSARC and the Authority covenants that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of the Bonds, which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. NYSARC (or any related person, as defined in Section 147(a)(2) of the Code) shall not purchase Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall have received an opinion of Bond Counsel to the effect that the purchase by NYSARC or by a related person of Bonds will not cause interest on the Bonds to be included in the gross income of the owners of such Bonds for the purposes of federal income taxation. NYSARC will, on a timely basis, provide the Authority with all necessary information regarding funds not in the Authority’s possession to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution. NYSARC shall be required to pay for any consultant or report necessary to satisfy any such arbitrage and rebate requirements.

NYSARC covenants that it will not take any action or fail to take any action which would cause any representation or warranty of NYSARC contained in the Tax Certificate then to be untrue and shall comply with all covenants and agreements of NYSARC contained in the Tax Certificate, in each case to the extent required by and otherwise in compliance with such Tax Certificate.

(Section 39)

Certificate as to Representations and Warranties

The obligations of the Authority under the Loan Agreement and the delivery of the Bonds are conditioned upon the receipt by the Authority at or prior to delivery of the Bonds of a certificate of an Authorized Officer of NYSARC acceptable to the Authority to the effect that the representations and warranties contained therein are true and correct in all material respects and in full force and effect on and as of the date of delivery of the Bonds as if made on the date of delivery of the Bonds.

(Section 44)

Further Assurances

NYSARC, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as are necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, moneys, securities, funds and security interests by the Loan Agreement or by the Resolution pledged, assigned or granted, or intended so to be, or which NYSARC may hereafter become bound to pledge, assign or grant to the Authority pursuant to the Loan Agreement.

(Section 47)

Amendments to Loan Agreement

The Loan Agreement may be amended only in accordance with the Resolution and each amendment shall be made by an instrument in writing signed by NYSARC and the Authority, an executed counterpart of which shall be filed with the Trustee.

(Section 48)

Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable thereunder by NYSARC shall have been made or provision made for the payment thereof; ***provided, however***, that the liabilities and the obligations of NYSARC under the Loan Agreement and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant thereto shall nevertheless survive any such termination. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by NYSARC to evidence such termination and the discharge of NYSARC's duties under the Loan Agreement and the release or surrender of any security interests granted by NYSARC to the Authority pursuant thereto.

(Section 49)

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution pertaining to the Series 2017 Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers herein refer to sections in the Resolution.

Resolution and Bonds Constitute a Contract

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its NYSARC, Inc. Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, *inter alia*, to be separately secured from each other Series of Bonds, provided, however, that any two or more Series of Bonds may be equally and ratably secured by the Applicable Pledged Revenues and the Applicable Mortgaged Property (but, in the case of the Applicable Mortgaged Property, only to the extent that the Applicable Mortgage has been assigned to the Trustee in accordance with the Resolution) as provided in the Applicable Series Resolutions. Each such Series of Bonds may be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds of a Series, and the pledge and assignment to the Trustee made therein and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by a Series Resolution.

(Section 1.03)

Option of the Authority to Assign Certain Rights and Remedies

With respect to each Series of Bonds, as security and collateral for (x) the payment of the principal, Sinking Fund Installments, if any, purchase price, and Redemption Price of, and interest on, the Outstanding Bonds of such Series and for the performance of any other obligation of the Authority under the Resolution and under the Applicable Series Resolution, and (y) the payment of all amounts owed to a Provider of a Credit Facility and for the performance of any other obligations of NYSARC thereunder, the Authority may assign to the Trustee and to the Applicable Provider of a Credit Facility all of the Authority's estate, right, title, interest and claim in, to and under the Applicable Loan Agreement and the Applicable Mortgage, subject only to the terms of the Applicable Intercreditor Agreement, and together with all rights, powers, security interests, privileges, options and other benefits of the Authority thereunder, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all insurance proceeds, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under the Applicable Mortgage or the Applicable Loan Agreement and the right to make all waivers and agreements in the name and on behalf of the Authority, and to perform all other necessary and appropriate acts under such Loan Agreement and Mortgage, subject to the following conditions: (i) that the Holders of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and (ii) that the Applicable

Mortgage and the security interest in Pledged Revenues granted to the Authority pursuant to the Applicable Loan Agreement may not be assigned by any party thereto without the written consent of the other parties thereto except to the Trustee and the Applicable Provider of a Credit Facility as permitted by the Resolution and except as provided in the Applicable Intercreditor Agreement; provided, however, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property of NYSARC made with respect to the Applicable Mortgage and the security interest in Pledged Revenues granted to the Authority pursuant to the Applicable Loan Agreement pursuant to this paragraph shall secure only the payment of amounts payable under such Mortgage and Loan Agreement; provided, further, that the Authority shall retain a parity interest in the proceeds of any remedial action with respect to the security interest in Pledged Revenues granted to the Authority pursuant to the Applicable Loan Agreement in an amount equal to NYSARC's obligations to the Authority and to the right to the payment of fees, costs and expenses of the Authority payable pursuant to the Applicable Loan Agreement, the rights to the indemnities provided thereby, and the rights to the payments, if any, required to be made pursuant to such indemnities. In addition, to the extent necessary to reflect the issuance of a Credit Facility with respect to the Applicable Series of Bonds, an Authorized Officer of the Trustee shall, upon request of an Authorized Officer of the Authority, execute and deliver such amendments to or supplements of such assignment as shall be necessary to add the Provider of such Credit Facility as beneficiary of such assignment or to accept a re-assignment from such Credit Facility Provider pursuant to the terms of the Applicable Intercreditor Agreement.

At or prior to the initial issuance and delivery of a Series of Bonds to be issued under the Resolution, upon delivery to the Trustee of evidence in writing from Authorized Officers of both the Authority and the Applicable Provider of a Credit Facility with respect to such Series of Bonds to the effect that the Applicable Intercreditor Agreement among the Authority, such Provider of a Credit Facility and the Trustee is in form and substance satisfactory to them (which may be evidenced by the execution thereof by the Authority and such Provider of a Credit Facility), an Authorized Officer of the Trustee shall, upon determination by the Trustee that such Intercreditor Agreement is in form and substance satisfactory to it (which determination by the Trustee shall not be unreasonably withheld or delayed), execute and deliver to the Authority and such Provider of a Credit Facility such Intercreditor Agreement. In addition, an Authorized Officer of the Trustee shall execute and deliver to the Authority and such Provider of a Credit Facility such amendments to or supplements of such Intercreditor Agreement as may be requested by an Authorized Officer of the Authority.

In the event that (i) there is a withdrawal from the Applicable Debt Service Reserve Fund securing a Series of Bonds that has not been restored to the Debt Service Reserve Fund Requirement therefor within 30 days after notice given in accordance with Section 5.07(d) of the Resolution has been received by the Authority, and (ii) if such Series is secured by one or more Credit Facilities, a Provider of any thereof has so requested, and (iii) if there is an Intercreditor Agreement with respect to such Series, such action is consistent with the terms thereof, the Authority shall assign to the Trustee, for the benefit of the Bondholders of the Series of Bonds secured by such Debt Service Reserve Fund all of its right, title and interest in and to the Applicable Mortgage and in and to the rights of the Authority under the Applicable Loan Agreement to exercise any of the remedies provided thereby for the enforcement of the obligations of NYSARC to make the payments thereunder, including the right to declare the indebtedness thereunder immediately due and payable and to foreclose the lien of such Mortgage; provided, however, that the Authority may retain the right to the payment of the fees, costs and expenses of the Authority payable pursuant to such Loan Agreement, the right to the indemnities provided thereby, the right to the payments, if any, required to be made pursuant to such indemnities and the right to exercise any of the remedies available thereunder for the enforcement of the obligations of NYSARC, the rights to which have been retained by the Authority. Such assignment shall be made by the execution and delivery to the Trustee of documents of assignment in form and substance reasonably acceptable to the Trustee and any Applicable Credit Facility Provider making the request to the Authority to assign said Mortgage to the Trustee. The Trustee shall notify each Applicable Credit Facility Provider, if any, of such assignment and provide each such Provider with a copy of the documents of assignment. If prior to the foreclosure of any such Mortgage, the Applicable Debt Service Reserve Fund has been restored to its Debt Service Reserve Fund Requirement, the Trustee shall, upon the request of the Authority (and unless otherwise provided in the Applicable Intercreditor Agreement, if any), reassign to the Authority all right, title and interest in and to such Loan Agreement and Mortgage assigned to it pursuant to this paragraph. Any such reassignment shall be made by the execution and delivery to the Authority of documents of reassignment in form and substance reasonably acceptable to the Authority. The Trustee shall notify each Applicable Credit Facility Provider of any such reassignment and provide each Applicable Credit Facility Provider with a copy of the documents of reassignment.

(Section 1.04)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other money available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Resolution) of:

(a) If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to duly give the notice provided for in the Resolution to the Holders of the Bonds being refunded;

(c) Either (i) money in an amount sufficient to effect payment of the principal at maturity or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate fund or account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Resolution, which Defeasance Securities and money shall be held in trust and used only as provided in said Section; and

(d) A certificate of an Authorized Officer of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of the Resolution.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds or the Bond Series Certificate relating to such Series of Refunding Bonds.

(Section 2.04)

Additional Obligations; Incurrence of Parity Indebtedness

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution with respect to Parity Indebtedness, entitled to a charge, lien or right prior or equal to the charge or lien created thereby, or prior or equal to the rights of the Authority and Holders of Bonds as provided thereby or with respect to the moneys pledged thereunder.

(Section 2.05)

Authorization of Redemption or Purchase

Bonds of a Series subject to redemption or purchase prior to maturity pursuant to the Resolution or to a Series Resolution or a Bond Series Certificate shall be redeemable or purchasable, in accordance with the Resolution, at such times, at such Redemption Prices or purchase prices or purchase prices and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or the Applicable Bond Series Certificate.

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds other than as provided in the Resolution, the Authority shall give written notice to the Trustee and each Applicable Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each maturity of such Series to be redeemed. The Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing such Series or the Applicable Bond Series Certificate. Such notice shall be given to the Trustee and each Applicable Provider at least forty-five (45) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. Unless the notice of redemption required by the Resolution provides that the redemption is subject to the condition that money for payment of the Redemption Price is available on the redemption date, such notice shall not be given unless prior to the date such notice is given, the Authority shall have paid or caused to be paid to the Trustee an amount which, in addition to other amounts available therefor held by the Trustee, is sufficient to redeem, on the redemption dates at the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, all of the Bonds of such Series to be so redeemed.

(Section 4.02)

Redemption Other Than at Authority's Election or Direction

Whenever by the terms of the Resolution the Trustee is required to redeem Bonds of a Series through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of such Series and maturities to be redeemed in the manner provided in the Resolution, give the notice of redemption and pay out of money available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Resolution.

(Section 4.03)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as in the Resolution provided) which end in the same digit or in the same two digits. If in such a case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; ***provided, however,*** that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the product of the lowest denomination in which the Bonds of such Series are authorized to be issued times the number of numbers assigned to it and so selected.

(Section 4.04)

Notice of Redemption

Whenever Bonds of a Series are to be redeemed, the Trustee shall give notice of the redemption of such Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed which shall be identified pursuant to the Resolution, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) the principal amount of each Bond to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book–Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on such Bond or as contained in such notice shall not affect the validity of the proceedings for redemption and (ix) if the Authority's obligation to redeem the Bonds is subject to conditions, a statement that describes the condition to such redemption. Any notice of redemption, other than a notice for special or extraordinary redemption provided for in a Series Resolution or Bond Series Certificate, may state that the redemption is conditioned upon receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of the Bonds to be redeemed, and that if such moneys are not received such notice shall be of no force or effect and such Bonds shall not be required to be redeemed.

Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue. Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than forty–five (45) days prior to the redemption date or, in the case of

Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond of a Series to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than forty–five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date; ***provided, however***, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

In addition, unless otherwise provided for in a Series Resolution or Bond Series Certificate with respect to a Series of Bonds, the Trustee shall (i) if any of the Bonds to be redeemed are Book Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book Entry Bonds not less than thirty–five (35) days prior to the redemption date, but, if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication, and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service and to Standard & Poor’s Called Bond Record, or to any successor thereof in each case at the most recent address therefor. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Payment of Redeemed Bonds

Notice having been given by mail in the manner provided in the Resolution, the Bonds of a Series or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. For so long as the Bonds shall not be issued in book-entry only form, payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars ($1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond of a Series, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, money for the redemption of all Bonds of a

Series or portions thereof to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest on such Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such money shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Purchase of Bonds at Election of NYSARC

Whenever Bonds are to be purchased at the election of NYSARC, written notice thereof and of the Bonds of the Series and maturity to be so purchased having been given by NYSARC to the Authority, the Trustee, and each Applicable Provider, the Trustee shall select the particular Bonds of such Series and maturity to be so purchased in the same manner as provided in the Resolution for the selection of Bonds to be redeemed in part. Promptly thereafter the Trustee shall give notice of the purchase of the Bonds at the times and in the manner provided in the Series Resolution authorizing such Bonds or the Bond Series Certificate related thereto. The Trustee shall not give such notice unless prior to the date such notice is given, NYSARC has caused to be delivered to the Trustee the written consent to such purchase of the Authority and each Applicable Provider. All such purchases may be subject to conditions of the Authority, the Trustee and any Provider to NYSARC's obligation to purchase such Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner required by the Series Resolution authorizing the Bonds to be so purchased or the Bond Series Certificate relating thereto, then, if sufficient money to pay the purchase price of such Bonds is held by the Trustee, the purchase price of the Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such Bonds (other than Book Entry Bonds) to be purchased at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. Payment of the purchase price of other than Book Entry Bonds shall be made, upon the request of the registered owner of one million dollars ($1,000,000) or more in principal amount of Bonds to be so purchased, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has prior to the purchase date directed in writing the Trustee to wire such purchase price. Bonds so purchased shall be considered to be Outstanding and each such Bond so purchased that is not a Book Entry Bond shall be registered in the name or at the direction of NYSARC.

(Section 4.07)

Pledge of Revenues

The proceeds from the sale of a Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and, except as otherwise provided in the Resolution, all Applicable funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, Purchase and Remarketing Fund and Credit Facility Repayment Fund, are subject to the adoption of a Series Resolution, pledged and assigned to the Trustee and the Applicable Credit Facility Provider, if any, subject to the terms of the Applicable Intercreditor Agreement, as security for the payment of the principal and Redemption Price of and interest on such Series of Bonds, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds provided, however, that Bonds of more than one Series may be equally and ratably secured with respect to the Applicable Pledged Revenues, to the extent required by, and consented to by, the Applicable Providers. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of a Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and all Applicable funds and accounts established by the Resolution and by the Applicable Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and the Applicable funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first parity lien thereon, subject to only, with respect to the Applicable Pledged Revenues, the Applicable Prior Pledges and any existing or future parity liens in such Pledged Revenues as permitted under the Applicable Loan Agreement.

(Section 5.01)

Establishment of Funds and Accounts

In addition to such funds as may be provided by a Series Resolution or a Bond Series Certificate, the following funds are authorized to be established and shall be held and maintained for each Series of Bonds by the Trustee separate and apart from any other funds established and maintained pursuant to the Resolution, any Series Resolution or any Bond Series Certificate:

Construction Fund;
Debt Service Fund;
Arbitrage Rebate Fund;
Purchase and Remarketing Fund, if any;
Credit Facility Repayment Fund, if any; and
Debt Service Reserve Fund, if any.

In addition to the funds required to be established by the Resolution, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable in a Series Resolution or a Bond Series Certificate. In addition to the accounts and subaccounts, if any, required to be established by the Resolution or by any Series Resolution, or any Bond Series Certificate, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable. All money at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or Bond Series Certificate or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds of such Series, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution, unless otherwise provided in the Applicable Series Resolution or Bond Series Certificate relating to such Bonds; ***provided, however***, that the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution or Bond Series Certificate for the payment of the purchase price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price of such Option Bonds.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Applicable Debt Service Fund account unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

(Section 5.03)

Application of Money in the Construction Fund

As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the Applicable Construction Fund account the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Applicable Construction Fund account any money paid to the Authority pursuant to the Resolution and all amounts paid by NYSARC which by the terms of the Applicable Loan Agreement are required to be deposited therein.

Except as otherwise provided in the Resolution and in any Applicable Series Resolution or Bond Series Certificate, money deposited in the Construction Fund shall be used only to pay the Costs of Issuance and the Costs of the Project with respect to such Series of Bonds. The Applicable Series Resolution or Bond Series Certificate may provide for the establishment of a Capitalized Interest Account in the Construction Fund to pay or provide for the payment of interest on such Series of Bonds and fees related to the Applicable Provider of a Credit Facility and the Applicable remarketing fees of such Series of Bonds during the construction of a Project and for a reasonable time after the completion of such Project. The Applicable Series Resolution or Bond Series Certificate may provide for the establishment of an Equity Account in the Construction Fund to pay or provide for a portion of the Costs of Issuance and the Costs of the Project.

Payments for Costs of Issuance with respect to a Series of Bonds shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification, and the respective amounts of each such payment and approved in writing by the Provider of the Applicable Credit Facility, if any, subject to the provisions of any Applicable disbursement agreement. Payments for Costs of each Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority, substantiated by a certificate filed with the Authority in accordance with the Applicable Loan Agreement naming the Project in connection with which payment is to be made and describing in reasonable detail the purpose for which money was used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project and approved in writing by the Provider of the Applicable Credit Facility, if any, subject to the provisions of any Applicable disbursement agreement, except that payments to pay interest on Bonds of a Series and fees of the Provider of the Applicable Credit Facility, if any, and any Applicable Remarketing Agent shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Capitalized Interest Account of the Construction Fund to the Debt Service Fund or to pay such fees to the Provider of the Applicable Credit Facility, if any, the Remarketing Agent or the Authority.

Unless a Mortgage or an Intercreditor Agreement with respect to the Applicable Series of Bonds requires otherwise, any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or NYSARC with respect to a Project shall be deposited in the Applicable Construction Fund account and, if necessary, such fund may be re–established for such purpose and, if not used to repair, restore or replace the Project, transferred to the Debt Service Fund for the redemption of Bonds in accordance with the Applicable Series Resolution or Bond Series Certificate.

A Project shall be deemed to be complete upon delivery to the Authority, the Provider of the Applicable Credit Facility, if any, and the Trustee of a final, unconditional certificate of occupancy and a certificate signed by an Authorized Officer of NYSARC, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or upon delivery to NYSARC, the Provider of the Applicable Credit Facility, if any, and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that the Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy or use, and, in the case of a certificate of an Authorized Officer of NYSARC, shall specify the date of completion.

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the money, if any, then remaining in the Construction Fund account relating to such Project, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of such Project then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

First: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund, the amount set forth in such direction; and

Second: To the Debt Service Reserve Fund, if any, such amount as shall be necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Fund Requirement; and

Third: To the Debt Service Fund, to be applied in accordance with the Resolution, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

With respect to any Series of Bonds, the Applicable Revenues and any other money, which, by any of the provisions of the Applicable Loan Agreement, are required to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustee as follows and in the following order of priority:

First: To the Applicable Debt Service Fund account:

(i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to:

(a) (1) the interest on Outstanding Bonds (other than Variable Interest Rate Bonds) of the Series payable on or prior to the next succeeding January 1, or

(2) (A) in the case of Outstanding Variable Interest Rate Bonds of the Series on which interest is payable semi-annually, the interest thereon estimated by the Authority to be payable with respect thereto (under the terms of the Applicable Series Resolution or the Bond Series Certificate relating thereto) on or prior to the next succeeding January 1, or, if January 1 is not an interest payment date, on or prior to the interest payment date immediately succeeding the next succeeding January 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the interest rate on such Variable Interest Rate Bond is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and

(B) in the case of Outstanding Variable Interest Rate Bonds of the Series on which interest is payable monthly, the interest thereon payable on the next interest payment date, and, to the extent that the interest rate is not established for any period for which payment is being made, estimated interest assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the interest rate on such Variable Interest Rate Bond is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum,

(b) (1) the Sinking Fund Installments, if any, of Outstanding Bonds (other than the Variable Interest Rate Bonds) of the Series payable on or prior to the next succeeding January 1, or

(2) in the case of Outstanding Variable Interest Rate Bonds of the Series, the Sinking Fund Installments thereon payable (under the terms of the Applicable Series Resolution or Bond Series Certificate relating thereto) on or prior to the next succeeding January 1, or, if January 1 is not an interest payment date, on or prior to the interest payment date immediately succeeding the next succeeding January 1, and

(c) the purchase price or Redemption Price of Outstanding Bonds of the Series theretofore contracted to be purchased or called for redemption pursuant to the Resolution on or prior to the next succeeding January 1 (or in the case of Outstanding Variable Interest Rate Bonds, for which January 1 is not an interest payment date, on or prior to the interest payment date immediately succeeding the next succeeding January 1), plus accrued interest thereon to the date of purchase or redemption; and

(ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to:

(a) (1) the interest on and the principal and Sinking Fund Installments of Outstanding Bonds (other than Variable Interest Rate Bonds) of the Series, if any, payable on and prior to the next succeeding July 1, or

(2) in the case of Outstanding Variable Interest Rate Bonds of the Series:

(A) on which interest is payable semi-annually, the interest thereon estimated by the Authority to be payable with respect thereto (under the terms of the Applicable Series Resolution or the Bond Series Certificate relating thereto) on or prior to the next succeeding July 1, or, if July 1 is not an interest payment date, on or prior to the interest payment date immediately succeeding the next succeeding July 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the interest rate on such Variable Interest Rate Bond is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum,

(B) on which interest is payable monthly, the interest thereon payable on the next interest payment date, and, to the extent that the interest rate is not established for any period for which payment is being made, estimated interest assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the interest rate on such Variable Interest Rate Bond is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum,

(C) with Sinking Fund Installments, the Sinking Fund Installments payable (under the terms of the Applicable Series Resolution or the Bond Series Certificate relating thereto) on or prior to the next succeeding July 1, or, if July 1 is not an interest payment date, on or prior to the interest payment date immediately succeeding the next succeeding July 1, and

(D) the principal payable on and prior to the next succeeding July 1, and

(b) the purchase price or Redemption Price of Outstanding Bonds of the Series theretofore contracted to be purchased or called for redemption pursuant to the Resolution on or prior to the next succeeding July 1 (or in the case of Outstanding Variable Interest Rate Bonds, for which July 1 is not an interest payment date, on or prior to the interest payment date immediately succeeding the next succeeding July 1), plus accrued interest thereon to the date of purchase or redemption; and

Second: To reimburse, pro rata, each Applicable Provider for Provider Payments which are then due and unpaid, in proportion to the respective Provider Payments then due and unpaid to each Applicable Provider; and

Third: To the Applicable Debt Service Reserve Fund, if any, an amount necessary to make the fund on deposit therein equal the Applicable Debt Service Reserve Fund Requirement; and

Fourth: Upon the direction of an Authorized Officer of the Authority, to the Applicable Arbitrage Rebate Fund the amount set forth in such direction; and

Fifth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement or Applicable Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Fifth.

The Trustee shall, promptly after making the above required payments, notify the Authority and NYSARC of any balance of the Applicable Revenues remaining on the immediately succeeding July 1. After making the above required payments, the balance, if any, of such Revenues then remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Applicable Construction Fund or the Applicable Debt Service Fund, or paid to NYSARC, in the respective amounts set forth in such direction. Any amounts paid to NYSARC shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the Applicable Loan Agreement.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent out of the Debt Service Fund:

(i) the interest due and payable on all Outstanding Bonds of a Series on such interest payment date;

(ii) the principal amount due and payable on all Outstanding Bonds of a Series on such interest payment date; and

(iii) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on such interest payment date on Outstanding Bonds of a Series.

The amounts paid out pursuant to this Section shall be irrevocably pledged to and applied to such payments.

Notwithstanding the provisions of paragraph (a) of this Section, the Authority may, at any time subsequent to the first day of July of any Bond Year but in no event less than forty–five (45) days prior to the succeeding date on which a Sinking Fund Installment with respect to a Series of Bonds is scheduled to be due, direct the Trustee to purchase, with money on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of the Series to be redeemed from such Sinking Fund Installment. In addition, NYSARC pursuant to the Applicable Loan Agreement may deliver, at any time subsequent to July 1 of any Bond Year, but in no event less than forty–five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, to the Trustee for cancellation one or more Term Bonds of the Series and maturity to be so redeemed on such date from such Sinking Fund Installment.

Any Term Bond so purchased and delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date,

provided, however, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

Money in the Debt Service Fund with respect to a Series of Bonds in excess of the amount required to pay (i) the principal and Sinking Fund Installments of Outstanding Bonds of such Series payable on and prior to the next succeeding July 1, (ii) the interest on Outstanding Bonds of such Series payable on and prior to the earlier of the next succeeding July 1 or January 1, assuming that a Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and (iii) the purchase price or Redemption Price of Outstanding Bonds of such Series theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund of a Series of Bonds, such money shall be applied by the Trustee if directed by an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds of such Series as provided in the Resolution, at the Redemption Prices specified in the Applicable Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Debt Service Reserve Fund

The Trustee shall deposit to the credit of the appropriate account in the Debt Service Reserve Fund such proceeds of the sale of a Series of Bonds, if any, as shall be prescribed in the Series Resolution or the Bond Series Certificate, and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by NYSARC for the purposes of the Debt Service Reserve Fund with respect to such Series.

In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations otherwise required to be deposited in the Debt Service Reserve Fund established for a Series of Bonds, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds of such Series for all or any part of the Debt Service Reserve Fund Requirement;

provided that any such Reserve Fund Facility in the form of a surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of the insurance company or association is rated in the highest rating level accorded by a nationally recognized insurance rating agency or (B) the obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category by Moody's and S&P, or, if Outstanding Bonds of such Series are not rated by Moody's and S&P by whichever of said rating services then rates Outstanding Bonds of such Series;

provided, further, that any such Reserve Fund Facility in the form of a letter of credit shall be issued by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank, which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a savings and loan association, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P, or, if Outstanding Bonds of such Series are not rated by Moody's and S&P by whichever of said rating services then rates Outstanding Bonds of such Series; and provided further that the written consent from any Applicable Credit Facility Provider to the delivery of such Reserve Fund Facility shall have been obtained.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Applicable Debt Service Revenue Fund Requirement with respect to a Series of Bonds unless the Trustee shall have received prior to such deposit (1) an opinion of counsel acceptable to the Applicable Reserve Fund Facility Provider to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Provider thereof and is valid, binding and enforceable in accordance with its terms and (2) in the event such Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Credit Facility Provider, if any.

Each Reserve Fund Facility shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without drawing upon such letter of credit or obtaining payment under such surety bond or insurance policy.

For the purposes of this Section, in computing the amount on deposit in the Debt Service Reserve Fund with respect to any Series of Bonds, the Reserve Fund Facility shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and applied to the payment of interest, principal and Sinking Fund Installments on the Series of Bonds secured thereby at the times and in the amounts required to comply with the provisions of the Resolution; provided, that no payment under a Reserve Fund Facility for such Series of Bonds shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund for a Series of Bonds at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility deposited in the Debt Service Reserve Fund, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

Moneys and investments held for the credit of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement for a Series of Bonds shall be withdrawn by the Trustee and deposited, upon direction of the Authority, in the Arbitrage Rebate Fund, the Debt Service Fund and the Construction Fund for that Series of Bonds or applied to the redemption of Bonds of that Series in accordance with such direction.

If, upon a valuation, the value of all moneys, Government Obligations, Exempt Obligations and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund with respect to a Series of Bonds is less than the Debt Service Reserve Fund Requirement for such Series of Bonds, the Trustee shall immediately notify the Authority, each Applicable Credit Facility Provider and Liquidity Facility Provider and NYSARC of such deficiency. NYSARC shall, as soon as practicable, but in no event later than 5 days after receipt of such notice, deliver to the Trustee moneys, Government Obligations or Exempt Obligations the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to such Debt Service Reserve Fund Requirement for that Series of Bonds.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund with respect to a Series of Bonds any money delivered to it by NYSARC for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, money on deposit in any other funds with respect to such Series of Bonds held by the Trustee thereunder at such times and in such amounts as shall be set forth in such directions.

Money on deposit in the Arbitrage Rebate Fund with respect to a Series of Bonds shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America with respect to such Series of Bonds at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Money which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall, first, be applied to reimburse, pro rata, each Provider for money advanced under an Applicable Credit Facility or Liquidity Facility, including interest thereon, which is then unpaid, in proportion to the respective amounts advanced by each such Provider, and, then, be deposited to any fund or account established under the Resolution with respect to the Applicable Series of Bonds in accordance with the written direction of such Authorized Officer.

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to a Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution with respect to such Series and deposit to the Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate money to the Department of the Treasury of the United States of America with respect to such Series of Bonds and (ii) if and to the extent required by the Code, pay out of the Arbitrage Rebate Fund with respect to such Series to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Money in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and the Debt Service Reserve Fund, if any, with respect to a Series of Bonds are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of such Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the Resolution for the payment of such Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and NYSARC. Upon receipt of such notice, the Authority may, and at the direction of NYSARC the Authority shall (i) direct the Trustee to redeem all such Outstanding Bonds of the Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the Resolution and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.09)

Transfer of Investments

Whenever money in any fund or account established under the Resolution or under a Series Resolution or a Bond Series Certificate is to be paid in accordance therewith to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the money, if any, to be transferred, is at least equal to the amount of the payment then to be made; *provided, however,* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.10)

Security for Deposits

All money held under the Resolution by the Trustee with respect to a Series of Bonds shall be continuously and fully secured, for the benefit of the Authority and the Holders of such Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; ***provided, however,*** (a) that if the securing of such money is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any money with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Trustee to give security for any money which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such money.

(Section 6.01)

Investment of Funds and Accounts

Money held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations or Exempt Obligations; ***provided, however***, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution.

In lieu of the investments of money in obligations authorized in paragraph (a) of this Section, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest money in the Construction Fund with respect to a Series of Bonds in any Permitted Investment; ***provided, however***, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution, ***provided, further,*** that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide money to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and NYSARC in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) of this Section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

No part of the proceeds of a Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond of a Series to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in such Bonds according to the true intent and meaning thereof.

(Section 7.01)

Further Assurance

The Authority, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, pledges and assignments by the Resolution and by the Applicable Series Resolution or Bond Series Certificate created or made or intended to be created or made, or which the Authority may hereafter become bound to pledge or assign.

(Section 7.04)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to a Series of Bonds, including but not limited to the objects and purposes for which proceeds of such Bonds were expended and the respective amounts expended for such objects and purposes. Such books and accounts with respect to a Series of Bonds, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of NYSARC, the Trustee or of any Holder of a Bond of such Series or his representative duly authorized in writing. The Trustee shall annually prepare a report with respect to each Series of Bonds which shall be furnished to the Authority, to each Applicable Provider and to NYSARC. Each such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and the Applicable Series Resolution and Bond Series Certificate; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of the Applicable report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of a Series or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

Except as permitted by the Resolution or by a Series Resolution, the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Bonds, the Applicable Revenues, the Applicable Pledged Revenues of NYSARC, the rights of the Authority to receive payments to be made under the Applicable Loan Agreement that are to be deposited with the Trustee or the funds and accounts established by the Resolution and by any Series Resolution and Bond Series Certificate which are pledged by the Resolution other than, with respect to the Pledged Revenues, the Prior Pledges and any existing or future parity lien on the Pledged Revenues to secure Parity Indebtedness; ***provided, however,*** that each Series of Bonds may be equally and ratably secured by the Applicable Pledged Revenues and the Applicable Mortgaged Property, to the extent required by and consented to by the Applicable Providers; and; ***provided, further however***, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations or otherwise incurred indebtedness under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution and by any Series Resolution thereunder and (ii) incurring obligations with respect to a Credit Facility or a Liquidity Facility which are secured by a lien upon and pledge of the Applicable Revenues of equal priority with the lien created and the pledge made by the Resolution and by any Applicable Series Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of NYSARC

The Authority shall take all legally available action to cause NYSARC to perform fully all duties and acts and comply fully with the covenants of NYSARC required by each Loan Agreement in the manner and at the times provided in the Loan Agreement; ***provided, however***, that the Authority may with respect to the Bonds of any Series, (i) delay or defer enforcement of one or more provisions of the Applicable Loan Agreement (other than provisions requiring the payment of money or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds of such Series and (ii) at any time prior to the occurrence of an event of default under the Resolution, annul any declaration that the indebtedness under the Applicable Loan Agreement is immediately due and payable and, if prior to the entry of a final judgment or decree in any action or proceeding instituted on account of an event of default under such Loan Agreement, discontinue such action or proceeding if NYSARC shall have cured each event of default under such Loan Agreement.

(Section 7.07)

Deposit of Certain Money in the Construction Fund

In addition to the proceeds of Bonds of a Series to be deposited in the Construction Fund, any money paid to the Authority for the acquisition, construction, reconstruction, renovation or equipment of a Project, including, if not inconsistent with the Applicable Mortgage and Applicable Intercreditor Agreement, the proceeds of any insurance or condemnation award to be so applied, shall be deposited in the Applicable Construction Fund account.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds of a Series may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds of a Series may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of such Bonds. The provisions of this Section shall be subject to the provisions of the Resolution.

(Section 7.09)

Amendment of Loan Agreement

No Loan Agreement may be amended, changed, modified, altered or terminated nor may any provision thereof be waived if any such amendment, change, modification, alteration, termination or waiver would adversely affect the interest of the Holders of Outstanding Bonds of the Applicable Series to which such Loan Agreement relates in any material respect unless consented to in writing by the Holders of at least a majority in aggregate principal amount of the Bonds of such Series then Outstanding; ***provided, however,*** that no such amendment, change, modification, alteration, or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of a Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by NYSARC under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to this paragraph by the Holders of Bonds of a Series shall, except as otherwise provided in this Section, be given in the same manner required by the Resolution.

A Loan Agreement may be amended, changed, modified or altered (i) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any facilities constituting a part of the Applicable Project or to otherwise amend the Applicable Project or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained such Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Applicable Loan Agreement or (iii) with the consent of the Applicable Provider of a Credit Facility, if any, to cure any ambiguity, or to correct or supplement any provision contained in such Loan Agreement which may be defective. Except as otherwise provided in this Section, with respect to a Series of Bonds, the Applicable Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of such Series or the Trustee. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of this Section, the purchasers of Bonds of a Series, whether purchasing as underwriters or Remarketing Agent, for resale or otherwise, may upon such purchase consent to an amendment, change, modification, alteration, termination or waiver permitted by this Section in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; ***provided, however***, that, if such consent is given by a purchaser who is purchasing as an underwriter or Remarketing Agent or otherwise for resale, the nature of the amendment, change, modification, alteration, termination or waiver and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the initial offering, reoffering or resale of the Bonds of such Series.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the Applicable Loan Agreement or the waiver of any provision thereof if the same adversely affects or diminishes the rights of the Holders of any Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification, alteration, termination or waiver and any such determination shall be binding and conclusive on NYSARC, the Authority and all Holders of Bonds of such Series.

For all purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification, alteration, termination or waiver adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Notice as to Event of Default under a Loan Agreement

The Authority shall notify the Trustee in writing that an “Event of Default” under a Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice shall be given as soon as practicable after the Authority has obtained actual knowledge thereof.

(Section 7.12)

Tax Exemption: Rebate

Except as otherwise provided in a Series Resolution, in order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Series, the Authority shall comply with the provisions of the Code applicable to the Bonds of each Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Series of Bonds, reporting of earnings on the Gross Proceeds of each Series of Bonds and rebates of Excess Earnings to the Department of the Treasury of the United States of America. With respect to each Series of Bonds, except as otherwise provided in the Resolution, the Authority shall comply with the provisions of the Applicable Tax Certificate as to compliance with the Code with respect to such Series of Bonds as such Tax Certificate may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action, which would cause the Bonds of a Series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of a Series shall not entitle the Holder of Bonds of any other Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority's failure to comply with the provisions of this Section or of the Code.

(Section 7.13)

Adoption and Filing of Series Resolution

The Authority may adopt at any time or from time to time a Series Resolution to authorize the issue of a Series of Bonds as provided in the Resolution. A copy of each such Series Resolution, together with a copy of the Resolution, each certified by the Authority, shall be filed with the Trustee.

(Section 9.01)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time a Supplemental Resolution for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, or any Series Resolution, the Revenues, or any pledge of any other moneys, Securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of a Series of Bonds issued under such Series Resolution Outstanding as of the date of adoption of such Supplemental Resolution shall cease to be Outstanding, and all Bonds of a Series issued under such Series Resolution shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of Bonds or the Credit Facility Provider or Liquidity Facility Provider with respect to any Series in any material respect.

The Authority shall give each affected Provider notice of each such Supplemental Resolution adopted pursuant to the Resolution amending the Resolution and each Applicable Provider notice of each such Supplemental Resolution amending any Series Resolution.

(Section 9.02)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the Resolution and a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the affected Providers and Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the members of the Authority, when filed with the Trustee thereunder, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent, shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section 9.04)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution or of any Series Resolution, in any particular, may be made by a Supplemental Resolution with the written consent, given as hereinafter provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of a Series at the time such consent is given of each Series affected by such modification or amendment, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution. The Trustee shall transmit a copy of such Supplemental Resolution to NYSARC upon its becoming effective.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders of a Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to such Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of a Series specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental

Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee.

Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and of any Bonds of a Series issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds of a Series shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds of a Series and will be effective as provided in this Section, shall be given to such Bondholders by the Authority by mailing such notice to such Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds of such Series shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Holders of all Bonds of such Series upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; ***provided, however,*** that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or Remarketing Agents, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; ***provided, however***, that, if such consent is given by a purchaser who is purchasing as an underwriter or Remarketing Agent or otherwise for resale, the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of a Series may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds of a Series then Outstanding, such consent to be given as provided in the Resolution, except that no notice to the Bondholders either by mailing or publication shall be required.

(Section 10.03)

Consent of Provider

Whenever by the terms of the Resolution the consent of any of the Holders of the Bonds of a Series to a modification or amendment of the Resolution made by a Series Resolution or Supplemental Resolution is required, such modification or amendment shall not become effective until the written consent of each Applicable Provider has been obtained. No modification or amendment of the Resolution which adversely affects a Provider shall be made without the written consent thereto of the Applicable Provider affected thereby. Notice of the adoption of any such Series Resolution or Supplemental Resolution and of the effectiveness of the modification or amendment made thereby shall be given to each Applicable Provider by mail at the times and in the manner provided in the Resolution with respect to notices thereof required to be given to the Holders of the Bonds of a Series. Notice thereof shall also be given to each Rating Service as soon as practical after adoption of such Series Resolution or Supplemental Resolution and of the effectiveness thereof. In the event that the Provider is has provided a letter of credit (the "primary letter of credit") and, as security for the performance of its obligations under the primary letter of credit, a confirming standby letter of credit from another institution, consent shall only be required from the Provider of the primary letter of credit and shall not be required from the provider of the confirming standby letter of credit.

(Section 10.04)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (herein called "event of default") if:

With respect to the Applicable Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

With respect to the Applicable Series of Bonds, payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Applicable Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in such Bonds or in the Applicable Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty–five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

With respect to the Applicable Series of Bonds, the Authority shall have notified the Trustee that an "Event of Default" as defined in the Applicable Loan Agreement shall have occurred and be continuing and all sums payable by NYSARC under the Applicable Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (c) of Section 11.02 thereof, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty–five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of such Series to be immediately due and payable. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in a Series Resolution or in the Bonds of such Series to the contrary notwithstanding. At any time after the principal of such Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty–five per centum (25%) in principal amount of the Bonds of such Series not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) money shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) money shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration under the Resolution) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the

Resolution) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and, upon the written request of the Holders of not less than twenty–five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any defaulted Mortgage assigned to the Trustee.

In the enforcement of any remedy under the Resolution and under a Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of such Series Resolution or of the Bonds of the Applicable Series, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in the Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the money adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty–five per centum (25%) in principal amount of the Outstanding Bonds of such Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by the Applicable Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or thereof or to enforce any right under the Resolution or thereunder except in the manner in the Resolution provided and therein, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other money and securities pledged to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all money or securities held by it pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to NYSARC. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Applicable Loan Agreement.

Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee (through deposit of money for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. All Outstanding Bonds of a Series or any maturity within such Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received the written consent to such defeasance of each Applicable Provider which has given written notice to the Trustee and the Authority that amounts advanced under the Applicable Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Provider, and (iv) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by the Authorized Officer of the

Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which money is to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with this Section. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with this Section in the manner provided in the Resolution. Neither Defeasance Securities nor money deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; ***provided, however***, that any money received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; ***provided, further***, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such money so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to NYSARC, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Applicable Loan Agreement.

For purposes of determining whether Variable Interest Rate Bonds of a Series shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of money, or Defeasance Securities and money, if any, in accordance with clause (ii) of the second sentence of paragraph (b) of Section 12.01, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; ***provided, however***, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of money and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (ii) of the second sentence of paragraph (b) of this Section, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an

Authorized Officer of the Authority; second, to each Applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to NYSARC, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Option Bonds of a Series shall be deemed to have been paid in accordance with clause (ii) of the second sentence of paragraph (b) of this Section only if, in addition to satisfying the requirements of clauses (i) and (iii) of such sentence, there shall have been deposited with the Trustee money in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; ***provided, however,*** that if, at the time a deposit is made with the Trustee pursuant to paragraph (b) of this Section, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the money deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to NYSARC, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution

Anything in the Resolution to the contrary notwithstanding, any money held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money was held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such money if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; ***provided, however***, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such money remains unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such money then unclaimed shall be returned to the Authority.

(Section 12.01)

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FORM OF CONTINUING DISCLOSURE AGREEMENT

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AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
NYSARC, INC. REVENUE BONDS, SERIES 2017A AND SERIES 2017B

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the "Disclosure Agreement"), dated as of [ ], 2017, is executed and delivered by the Dormitory Authority of the State of New York (the "Issuer" or "DASNY"), NYSARC, Inc. (the "Obligated Person"), The Bank of New York Mellon, as Trustee (the "Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute "advice" within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer's or the Obligated Person's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the

Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Dissemination Agreement" means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

"Disclosure Representative" means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Obligated Person's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"Issuer" means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

"Resolution" means DASNY's bond resolution(s) pursuant to which the Bonds were issued.

"Trustee" means The Bank of New York Mellon, its successors and/or assigns.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 150 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending December 31, 2016, such date and each anniversary thereof, the "Annual Filing Date." Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
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, IRS notices or events affecting the tax status of the securities;
7. Modifications to rights of securities holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Ratings changes;

12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

14. Merger, consolidation, or acquisition of the Obligated Person, if material; and

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. "certain communications from the Internal Revenue Service;"

5. "secondary market purchases;"

6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"

8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"

10. "derivative or other similar transaction;" and

11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”

2. “change in fiscal year/timing of annual disclosure;”

3. “change in accounting standard;”

4. “interim/additional financial information/operating data;”

5. “budget;”

6. “investment/debt/financial policy;”

7. “information provided to rating agency, credit/liquidity provider or other third party;”

8. “consultant reports;” and

9. “other financial/operating data;”

(viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include operating data and financial information of the type included in the Official Statement for the Bonds as described in “PART 4 - NYSARC” under the headings, unless such information is included in the audited financial statements of the Obligated Person prepared and filed by the Obligated Person at or before the time that any other Annual Financial Information is required to be provided: (i) “Financial Matters”, (ii) “Management’s Discussion” (unless such information is included in the audited financial statements of the Obligated Person), and (iii) the table set forth under “PART 5 - PARTICIPATING CHAPTER AND PROJECT INFORMATION”; together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available from the EMMA System of the MSRB. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;
7. Modification to rights of the security holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender offers;

13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the

Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this

Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section 4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left intentionally blank]

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:____
Name:______________________________________
Title:_______________________________________

NYSARC, INC.,
Obligated Person

By:____
Name:______________________________________
Title:_______________________________________

DORMITORY AUTHORITY OF THE STATE OF NEW YORK,
Issuer

By:____
Authorized Officer

THE BANK OF NEW YORK MELLON,
as Trustee

By: _______________________________________
Name: _____________________________________
Title: ______________________________________

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): NYSARC, Inc.
Name of Bond Issue: NYSARC, Inc. Revenue Bonds, Series 2017A and Series 2017B
Date of Issuance: [ ], 2017
Date of Official Statement: [ ], 2017

Maturity	CUSIP No.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Dormitory Authority of the State of New York
Obligated Person(s):	NYSARC, Inc.
Name of Bond Issue:	NYSARC, Inc. Revenue Bonds, Series 2017A and Series 2017B
Date of Issuance:	[ ], 2017

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of __________, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, __________, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated:______________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Obligated Person

____

cc: Issuer
Obligated Person

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

Description of Notice Events (Check One):

1.______"Principal and interest payment delinquencies;"
2.______"Non-payment related defaults, if material;"
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, IRS notices or events affecting the tax status of the security;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________ Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of ____________ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of ____________ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

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FORMS OF APPROVING OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2017 Bonds, Barclay Damon, LLP, Albany, New York, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

__________, 2017

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have examined the record of proceedings relating to the $32,970,000 aggregate principal amount NYSARC, Inc. Revenue Bonds, Series 2017A (the "Series 2017A Bonds") and the $1,530,000 aggregate principal amount NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable) (the "Series 2017B Bonds", and together with the Series 2017A Bonds, the "Series 2017 Bonds") issued by the Dormitory Authority of the State of New York ("DASNY"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolution (hereinafter defined).

The Series 2017 Bonds are issued under and pursuant to the Act and the NYSARC, Inc. Revenue Bond Resolution of DASNY, adopted March 25, 2009 (the "Resolution"), and, in the case of the Series 2017A Bonds, DASNY's Series 2017A Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2017A, adopted January 11, 2017 (the "Series 2017A Resolution") and, in the case of the Series 2017B Bonds, DASNY's Series 2017B Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable), adopted January 11, 2017 (the "Series 2017B Resolution" and, together with the Series 2017A Resolution, the "Series 2017 Resolutions"). The Resolution and the Series 2017 Resolutions are herein collectively referred to as the "Resolutions." The Series 2017 Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into a Loan Agreement with NYSARC, Inc. ("NYSARC"), dated as of January 11, 2017 (the "Loan Agreement"), providing for, among other things, a loan to NYSARC for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, NYSARC is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2017 Bonds as the same become due, which payments have been pledged by DASNY to the Trustee for the benefit of the holders of the Series 2017 Bonds. DASNY and NYSARC have entered into a Tax Compliance Agreement as of the date hereof relating to the Series 2017A Bonds (the "Tax Compliance Agreement").

Based upon the foregoing, we are of the opinion that:

(1) DASNY is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2017 Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2017 Resolutions have been duly and lawfully adopted by DASNY in accordance with the provisions of the Resolution and are authorized and permitted by the Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of DASNY enforceable in accordance with their respective terms. The Resolutions create the valid pledge and the valid lien upon the Revenues that they purport to create, subject only to the provisions of the Resolutions permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.

(3) The Series 2017 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2017 Bonds are legal, valid and binding special obligations of DASNY payable as provided in the Resolutions, are enforceable in accordance with their terms pursuant to the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

(4) DASNY has the right and lawful authority and power to enter into the Loan Agreement. The Loan Agreement has been duly authorized, executed and delivered by DASNY and, assuming due authorization, execution and delivery of the Loan Agreement by NYSARC, constitutes a legal, valid and binding obligation of DASNY enforceable in accordance with its terms.

(5) Under existing law:

(a) interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code");

(b) interest on the Series 2017A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; provided, however, that such interest on the Series 2017A Bonds is taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations;

(c) interest on the Series 2017 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including the City of New York and the City of Yonkers; and

(d) interest on the Series 2017B Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code.

In rendering the opinions set forth in clauses (a) and (b) of paragraph (5) above, we have assumed the accuracy of certain factual certifications of, and continuing compliance with certain of the provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Compliance Agreement by DASNY and NYSARC. In the event of the inaccuracy or incompleteness of any of the certifications made by DASNY or NYSARC, or of the failure by DASNY or NYSARC to comply with the provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Compliance Agreement, the interest on the Series 2017A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of such Series 2017A Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any Series 2017A Bond or the interest thereon if any change to the Resolution, the Series 2017A Resolution, the Loan Agreement, the Tax Compliance Agreement or other relevant documents or actions are taken or omitted upon the advice or approval of Co-Bond Counsel other than Barclay Damon, LLP. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2017A Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2017A Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

We have examined a fully executed Series 2017A Bond and a fully executed Series 2017B Bond and, in our opinion, the respective forms of said Series 2017 Bonds and their execution are regular and proper.

The opinions contained in paragraphs (2), (3) and (4) above are qualified to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2017 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and as to the availability of any particular remedy.

Very truly yours,

Upon delivery of the Series 2017 Bonds, Marous Law Group, P.C., New York, New York, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

__________, 2017

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have examined the record of proceedings relating to the $32,970,000 aggregate principal amount NYSARC, Inc. Revenue Bonds, Series 2017A (the "Series 2017A Bonds") and the $1,530,000 aggregate principal amount NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable) (the "Series 2017B Bonds", and together with the Series 2017A Bonds, the "Series 2017 Bonds") issued by the Dormitory Authority of the State of New York ("DASNY"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolution (hereinafter defined).

The Series 2017 Bonds are issued under and pursuant to the Act and the NYSARC, Inc. Revenue Bond Resolution of DASNY, adopted March 25, 2009 (the "Resolution"), and, in the case of the Series 2017A Bonds, DASNY's Series 2017A Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2017A, adopted January 11, 2017 (the "Series 2017A Resolution") and, in the case of the Series 2017B Bonds, DASNY's Series 2017B Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2017B (Taxable), adopted January 11, 2017 (the "Series 2017B Resolution" and, together with the Series 2017A Resolution, the "Series 2017 Resolutions"). The Resolution and the Series 2017 Resolutions are herein collectively referred to as the "Resolutions." The Series 2017 Bonds are being issued for the purposes set forth in the Resolutions.

DASNY has entered into a Loan Agreement with NYSARC, Inc. ("NYSARC"), dated as of January 11, 2017 (the "Loan Agreement"), providing for, among other things, a loan to NYSARC for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, NYSARC is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2017 Bonds as the same become due, which payments have been pledged by DASNY to the Trustee for the benefit of the holders of the Series 2017 Bonds.

Based upon the foregoing, we are of the opinion that:

(1) DASNY is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2017 Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by DASNY. The Series 2017 Resolutions have been duly and lawfully adopted by DASNY in accordance with the provisions of the

Resolution and are authorized and permitted by the Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of DASNY enforceable in accordance with their respective terms. The Resolutions create the valid pledge and the valid lien upon the Revenues that they purport to create, subject only to the provisions of the Resolutions permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.

(3) The Series 2017 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2017 Bonds are legal, valid and binding special obligations of DASNY payable as provided in the Resolutions, are enforceable in accordance with their terms pursuant to the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

(4) DASNY has the right and lawful authority and power to enter into the Loan Agreement. The Loan Agreement has been duly authorized, executed and delivered by DASNY and, assuming due authorization, execution and delivery of the Loan Agreement by NYSARC, constitutes a legal, valid and binding obligation of DASNY enforceable in accordance with its terms.

We have examined a fully executed Series 2017A Bond and a fully executed Series 2017B Bond and, in our opinion, the respective forms of said Series 2017 Bonds and their execution are regular and proper.

The opinions contained in paragraphs (2), (3) and (4) above are qualified to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2017 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors’ rights generally and as to the availability of any particular remedy.

Very truly yours,

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • NYSARC, INC. REVENUE BONDS, SERIES 2017

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