



**\$58,560,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**STATE PERSONAL INCOME TAX REVENUE BONDS (EDUCATION)**  
**QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2009**  
**(TAX CREDIT BONDS)**

Dated: Date of Delivery  
 Tax Credit Rate: 5.80%

Due: September 15, 2025  
 Price : 86.38%

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education), Qualified School Construction Bonds, Series 2009 (Tax Credit Bonds) (the “Series 2009 Bonds”), are special obligations of the Dormitory Authority of the State of New York (the “Authority”). The Series 2009 Bonds are secured by a pledge of certain payments (the “Financing Agreement Payments”) to be made to the Trustee on behalf of the Authority by the State of New York (the “State”) under a Financing Agreement between the Authority and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of the Series 2009 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State personal income tax receipts imposed by Article 22 of the Tax Law (the “New York State Personal Income Tax Receipts”) as more fully described herein.

The Authority is one of five Authorized Issuers (hereinafter defined) that can issue State Personal Income Tax Revenue Bonds. All financing agreements entered into by the State to secure State Personal Income Tax Revenue Bonds shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund (as hereinafter defined). The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State Personal Income Tax.

**The Series 2009 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2009 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, or interest, if any, on the Series 2009 Bonds. The Authority has no taxing power.**

The Series 2009 Bonds are being issued as “qualified school construction bonds” as defined in Section 54F of the Internal Revenue Code of 1986 (the “Code”). The Series 2009 Bonds will not bear interest unless converted to Interest Bearing Bonds as more fully described herein. Principal of the Series 2009 Bonds is payable on the maturity date thereof set forth above.

The Series 2009 Bonds include a component relating to principal payment (the “Principal Component”) and a component relating to the tax credits (the “Tax Credit Component”), which each registered owner (the “Owner”) of the Series 2009 Bonds will be allowed under the Code, subject to the limitations more fully described herein, on each Tax Credit Allowance Date (defined herein) against federal income tax liability (the “Tax Credit Component”). See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – The Tax Credit Program” and “PART 12—TAX MATTERS” herein. At the option of an Owner of a Series 2009 Bond, the ownership of the Principal Component may be separated from the ownership of the Tax Credit Component. Upon any such separation, the Principal Component and the Tax Credit Component will be evidenced by principal certificates (the “Principal Strip Certificates”) and tax credit certificates (the “Tax Credit Certificates”) and separately registered by Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent (the “Trustee” or “Paying Agent”). In addition, the Owner of a Principal Strip Certificate and the requisite number of Tax Credit Certificates may recombine such Principal Strip Certificate and Tax Credit Certificates into unstripped Series 2009 Bonds. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS - Separation and Recombining of Principal Component and Tax Credit Component” herein.

The Series 2009 Bonds will be initially issued in book-entry form only, in denominations of \$40,000 principal amount or integral multiples thereof, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2009 Bonds and, if separated, the Principal Strip Certificates and the Tax Credit Certificates. Purchasers will not receive physical delivery of the Series 2009 Bonds purchased by them or the Principal Strip Certificates and the Tax Credit Certificates separated therefrom. Payments of principal of, or interest, if any, on the Series 2009 Bonds will be made by the Paying Agent to DTC, for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2009 Bonds. See “PART 7—BOOK-ENTRY ONLY SYSTEM” herein.

The Series 2009 Bonds may, in certain limited circumstances, be converted, in whole or in part, to bonds that bear interest at the Tax Credit Rate set forth above (the “Interest Bearing Bonds”), in lieu of providing the Owner thereof credits against federal income tax liability as more fully described herein. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Conversion of Series 2009 Bonds into Interest Bearing Bonds” herein.

The Series 2009 Bonds are not subject to optional or mandatory sinking fund redemption. The Series 2009 Bonds are subject to extraordinary mandatory redemption prior to maturity, as more fully described herein. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Redemption of the Series 2009 Bonds” herein.

*In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, under existing statutes, regulations, administrative rulings and court decisions, and assuming the accuracy of certain representations and compliance with certain covenants, (i) the Series 2009 Bonds are “qualified school construction bonds” within the meaning of Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) Owners of the Series 2009 Bonds (or in the case of Series 2009 Bonds for which the ownership of the Tax Credit Component has been separated, the owners of the Tax Credit Certificates), as of each Tax Credit Allowance Date (as defined herein) will be entitled, subject to the limitations of Section 54A of the Code, to a federal income tax credit for the taxable year in which such Tax Credit Allowance Date occurs. The amount of such tax credit will be treated as interest for federal tax purposes and will be included in the gross income of the recipients thereof. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the receipt of the tax credit or the accrual or receipt of deemed interest on the Series 2009 Bonds. See “PART 12 - TAX MATTERS” herein.*

The Series 2009 Bonds are offered, when, as and if issued and delivered to the Underwriters. The issuance of the Series 2009 Bonds is subject to approval of legality by Harris Beach PLLC, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Counsel to the Underwriters, and Gonzalez Saggio & Harlan LLP, New York, New York, Co-Counsel to the Underwriters. It is expected that the Series 2009 Bonds will be available for delivery to DTC in New York, New York on or about October 20, 2009.

**Goldman, Sachs & Co.**

October 8, 2009

**MATURITY DATE, PRINCIPAL AMOUNT, TAX CREDIT RATE,  
PRICE AND CUSIP NUMBERS**

**\$58,560,000**

**STATE PERSONAL INCOME TAX REVENUE BONDS (EDUCATION)  
QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2009  
(TAX CREDIT BONDS)**

Maturity Date	Principal Amount	Tax Credit Rate	Price	CUSIP <sup>†</sup> Number
September 15, 2025	\$58,560,000	5.80%	86.38%	649902 ZR7

**As and after principal is stripped from the associated Tax Credits:**

Maturity Date	Aggregate Principal Strip Amount	CUSIP <sup>†</sup> Number
September 15, 2025	\$58,560,000	649902 ZS5

Tax Credit Allowance Date	CUSIP number (if stripped from Related Bond)	Tax Credit Amount	Tax Credit Allowance Date	CUSIP number (if stripped from Related Bond)	Tax Credit Amount	Tax Credit Allowance Date	CUSIP number (if stripped from Related Bond)	Tax Credit Amount	Tax Credit Allowance Date	CUSIP number (if stripped from Related Bond)	Tax Credit Amount
									12/15/2009	649902 ZT3	\$518,256
3/15/2010	649902 ZU0	\$849,120	6/15/2010	649902 ZV8	\$849,120	9/15/2010	649902 ZW6	\$849,120	12/15/2010	649902 ZX4	\$849,120
3/15/2011	649902 ZY2	849,120	6/15/2011	649902 ZZ9	849,120	9/15/2011	649902 A29	849,120	12/15/2011	649902 A37	849,120
3/15/2012	649902 A45	849,120	6/15/2012	649902 A52	849,120	9/15/2012	649902 A60	849,120	12/15/2012	649902 A78	849,120
3/15/2013	649902 A86	849,120	6/15/2013	649902 A94	849,120	9/15/2013	649902 B28	849,120	12/15/2013	649902 B36	849,120
3/15/2014	649902 B44	849,120	6/15/2014	649902 B51	849,120	9/15/2014	649902 B69	849,120	12/15/2014	649902 B77	849,120
3/15/2015	649902 B85	849,120	6/15/2015	649902 B93	849,120	9/15/2015	649902 C27	849,120	12/15/2015	649902 C35	849,120
3/15/2016	649902 C43	849,120	6/15/2016	649902 C50	849,120	9/15/2016	649902 C68	849,120	12/15/2016	649902 C76	849,120
3/15/2017	649902 C84	849,120	6/15/2017	649902 C92	849,120	9/15/2017	649902 D26	849,120	12/15/2017	649902 D34	849,120
3/15/2018	649902 D42	849,120	6/15/2018	649902 D59	849,120	9/15/2018	649902 D67	849,120	12/15/2018	649902 D75	849,120
3/15/2019	649902 D83	849,120	6/15/2019	649902 D91	849,120	9/15/2019	649902 E25	849,120	12/15/2019	649902 E33	849,120
3/15/2020	649902 E41	849,120	6/15/2020	649902 E58	849,120	9/15/2020	649902 E66	849,120	12/15/2020	649902 E74	849,120
3/15/2021	649902 E82	849,120	6/15/2021	649902 E90	849,120	9/15/2021	649902 F24	849,120	12/15/2021	649902 F32	849,120
3/15/2022	649902 F40	849,120	6/15/2022	649902 F57	849,120	9/15/2022	649902 F65	849,120	12/15/2022	649902 F73	849,120
3/15/2023	649902 F81	849,120	6/15/2023	649902 F99	849,120	9/15/2023	649902 G23	849,120	12/15/2023	649902 G31	849,120
3/15/2024	649902 G49	849,120	6/15/2024	649902 G56	849,120	9/15/2024	649902 G64	849,120	12/15/2024	649902 G72	849,120
3/15/2025	649902 G80	849,120	6/15/2025	649902 G98	849,120	9/15/2025	649902 H22	849,120			

<sup>†</sup> Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for the convenience of the holders of the Series 2009 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2009 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2009 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2009 Bonds.

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IN CONNECTION WITH THE OFFERING OF THE SERIES 2009 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE", "PROJECT", "ANTICIPATE", "EXPECT", "INTEND", "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING THE AUTHORITY AND THE STATE'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

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## PART 1—SUMMARY STATEMENT

*This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2009 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.*

<p><b>State Personal Income Tax Revenue Bond Financing Program</b></p>	<p>Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”) by establishing the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund”) held separate and apart from all other moneys of the State in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State (the “State Comptroller”).</p> <p>The Enabling Act authorizes the Dormitory Authority of the State of New York (the “Authority”), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the “Authorized Issuers”) to issue State Personal Income Tax Revenue Bonds for certain authorized purposes (the “Authorized Purposes”). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the “Director of the Budget”) pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority.</p> <p>State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution.</p>
<p><b>Purpose of Issue; Security for Series 2009 Bonds</b></p>	<p>The Series 2009 Bonds are being issued to provide the Authority with funds to finance grants to local school districts to pay costs of certain school facility projects over and above existing State school building aid apportionments in connection with the Expanding our Children’s Education and Learning program (the “EXCEL Program”). In addition, proceeds of the Series 2009 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2009 Bonds. See “PART 2—INTRODUCTION” and “PART 6—THE PROJECTS” for a more complete description of the application of proceeds of the Series 2009 Bonds.</p> <p>The Series 2009 Bonds are special obligations of the Authority, secured by a pledge of the financing agreement payments (the “Financing Agreement Payments”) to be made by the State Comptroller to the Trustee pursuant to the financing agreement entered into by the Authority with the Director of the Budget (the “Financing Agreement”).</p>

<p><b>Purpose of Issue; Security for Series 2009 Bonds (continued)</b></p>	<p><b>The Series 2009 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2009 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of the Series 2009 Bonds. The Authority has no taxing power.</b></p> <p><b>The Series 2009 Bonds are not secured by the projects financed with the proceeds of the Series 2009 Bonds or any interest therein.</b></p>
<p><b>Qualified School Construction Bonds</b></p>	<p>The Series 2009 Bonds will be issued as “qualified school construction bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) and as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”). The Series 2009 Bonds include a component relating to principal payment (the “Principal Component”) and a component relating to the tax credits, which the Owners of the Series 2009 Bonds will be allowed under the Code, subject to the limitations more fully described herein, on each Tax Credit Allowance Date as set forth on the inside cover page hereof, against federal income tax liability (the “Tax Credit Component”). See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – The Tax Credit Program” and “—Designation of Series 2009 Bonds as Qualified School Construction Bonds” and “PART 12—TAX MATTERS.”</p> <p>At the option of an Owner of a Series 2009 Bond, the ownership of the Principal Component and the Tax Credit Component may be separated or “stripped” from such Series 2009 Bond. Upon any such separation, the Principal Component and the Tax Credit Component will be evidenced by principal certificates (the “Principal Strip Certificates”) and tax credit certificates (the “Tax Credit Certificates”), each of which will be separately registered by the Trustee. In addition, the Owner of a Principal Strip Certificate and the requisite number of Tax Credit Certificates may recombine such Principal Strip Certificate and Tax Credit Certificates into unstripped Series 2009 Bonds. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Separation and Recombining of Principal Component and Tax Credit Component.”</p> <p>The Series 2009 Bonds are not subject to optional or mandatory sinking fund redemption prior to their stated maturity. The Series 2009 Bonds are subject to extraordinary mandatory redemption. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Redemption of the Series 2009 Bonds.”</p> <p>The Series 2009 Bonds may, in certain limited circumstances, be converted, in whole or in part, to bonds that bear interest at the Tax Credit Rate, in lieu of providing the Owner thereof credits against federal income tax liability. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Conversion of Series 2009 Bonds into Interest Bearing Bonds” herein.</p> <p>For certain investor considerations regarding the Series 2009 Bonds, see “PART 2—INTRODUCTION – The Series 2009 Bonds – Certain Investor Considerations Regarding Qualified School Construction Bonds.”</p>
<p><b>Sources of Payment and Security for State Personal Income Tax Revenue Bonds—Revenue Bond Tax Fund Receipts</b></p>	<p>The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the “New York State Personal Income Tax Receipts”), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the “STAR Fund”). Prior to such date, New York State Personal Income Tax Receipts were also net of STAR Fund deposits.</p>



**Sources of Payment and Security for State Personal Income Tax Revenue Bonds—Revenue Bond Tax Fund Receipts (continued)**

The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the “Withholding Component”) until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund Receipts”).

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2007-08 through 2009-10 are as follows:

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Revenue Bond Tax Fund Receipts**</u>
		<i>in billions</i>	
2007-08	\$36.6	\$28.4	\$9.1
2008-09	36.8	27.7	9.2
2009-10*	36.1	29.3	9.0

\* As estimated in the First Quarterly Update to the 2009-10 Financial Plan.

\*\*Reflects legislation effective April 1, 2007 that calculates Revenue Bond Tax Fund Receipts prior to the deposit of New York State personal income tax receipts to the STAR Fund.

The Series 2009 Bonds are special obligations of the Authority, being secured by, among other things, a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of the Authority and certain funds held by the Trustee under the Authority’s State Personal Income Tax Revenue Bonds (Education) General Bond Resolution (the “General Resolution”).

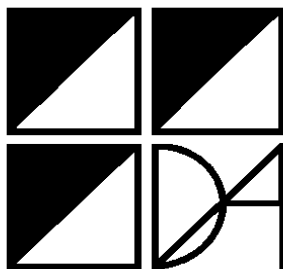
The Series 2009 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation from the State.

Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (the “State Legislature”) making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.**

The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information,

<p><b>Sources of Payment and Security for State Personal Income Tax Revenue Bonds—Revenue Bond Tax Fund Receipts (continued)</b></p>	<p>see “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND.”</p> <p>The Series 2009 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2009 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of the Series 2009 Bonds. The Authority has no taxing power.</p>
<p><b>Set Aside for Purpose of Making Financing Agreement Payments</b></p>	<p>The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.</p> <p>The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2009-10.</p> <p>See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS.”</p>
<p><b>Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts</b></p>	<p>If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers. Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments.</p>
<p><b>Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts</b></p>	<p>In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including the Authority.</p> <p>After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are paid over and distributed to the credit of the State’s General Fund. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund.”</p>

<p><b>Additional Bonds and Debt Service Coverage</b></p>	<p>As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.</p> <p>Subject to: (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Authority and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds.</p> <p>In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately \$9.2 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 5.9 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2009 Bonds and the \$377,635,000 million of State Personal Income Tax Revenue Bonds (General Purpose) to be issued by the Authority (the “CUNY PIT Bonds”) on the same day as the date of delivery of the Series 2009 Bonds. Assuming the issuance of approximately \$1.5 billion of State Personal Income Tax Revenue Bonds expected to be issued by the New York State Urban Development Corporation (the “UDC PIT Bonds”) contemporaneously with the issuance of the Series 2009 Bonds, the Revenue Bond Tax Fund Receipts that would be available in Fiscal Year 2009-10 to pay financing agreement payments would be approximately 5.3 times the maximum aggregate Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2009 Bonds, the CUNY PIT Bonds and the projected debt service on the UDC PIT Bonds.</p> <p>As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds.”</p> <p>As of September 15, 2009, approximately \$16.4 billion of State Personal Income Tax Revenue Bonds were outstanding.</p>
<p><b>Continuing Disclosure</b></p>	<p>In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee have entered into a Master Continuing Disclosure Agreement, as amended and restated. See “PART 18—CONTINUING DISCLOSURE.”</p>



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

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

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## **OFFICIAL STATEMENT**

**Relating to**

**\$58,560,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**STATE PERSONAL INCOME TAX REVENUE BONDS (EDUCATION)**  
**QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2009**  
**(TAX CREDIT BONDS)**

### **PART 2—INTRODUCTION**

#### **General**

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the Dormitory Authority of the State of New York (the “Authority”), a public benefit corporation of the State of New York (the “State”), in connection with the offering by the Authority of its \$58,560,000 State Personal Income Tax Revenue Bonds (Education), Qualified School Construction Bonds, Series 2009 (Tax Credit Bonds) (the “Series 2009 Bonds”). The Series 2009 Bonds constitute “qualified school construction bonds” pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”). The State received an allocation of qualified school construction bonds for calendar year 2009 in the amount of \$192,049,000 from the United States Secretary of the Treasury pursuant to the Code and will, prior to the issuance of the Series 2009 Bonds, assign such allocation to the Authority. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Designation of Series 2009 Bonds as Qualified School Construction Bonds” and “PART 12—TAX MATTERS” herein. The Tax Credit Rate, maturity date, and price of the Series 2009 Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”), including the Series 2009 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law (“Tax Law”) which, pursuant to Section 171-a of the Tax Law (the “New York State Personal Income Tax Receipts”), are required to be deposited in the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund”) to provide for the payment of State Personal Income Tax Revenue Bonds. Such New York State Personal Income Tax Receipts currently exclude refunds owed to taxpayers.

The State expects that State Personal Income Tax Revenue Bonds will continue to be the primary financing vehicle for a broad range of State-supported financing programs secured by service contract, financing agreement or lease-purchase payments subject to appropriation by the State Legislature.

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. The Authority has no taxing power. See “PART 10—THE AUTHORITY.”

The Series 2009 Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), and the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the “Authority Act”), and other provisions of State law. The Enabling Act authorizes the Authority, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the “Authorized Issuers”) to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued (“Authorized Purposes”). Legislation has been enacted permitting the transfer of other monies into the Revenue Bond Tax Fund.

The Series 2009 Bonds are additionally authorized under the Authority’s State Personal Income Tax Revenue Bonds (Education) General Bond Resolution, adopted by the Authority on July 24, 2002 (the “General Resolution”), as supplemented by the Authority’s Supplemental Resolution 2007-2 Authorizing State Personal Income Tax Revenue Bonds (Education), adopted by the Authority May 30, 2007, as amended and restated on September 23, 2009, (as so restated, the “Series 2009 Supplemental Resolution”) and a Certificate of Determination delivered by an Authorized Officer of the Authority, dated October 8, 2009, setting forth certain terms of the Series 2009 Bonds. Such Certificate of Determination, together with the General Resolution and the Series 2009 Supplemental Resolution, except as the context otherwise indicates, are collectively referred to as the “Resolutions”. Any bonds issued pursuant to the General Resolution, including the Series 2009 Bonds are herein referred to as the “Bonds”.

The Series 2009 Bonds, and any additional series of Bonds which have heretofore been issued and which may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2009 Bonds and all other State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the State (the “Director of the Budget”) and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; collectively the “Pledged Property.” The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority. Descriptions of the provisions of the Enabling Act contained in this Official Statement are of the Enabling Act as it exists on the date of this Official Statement.

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. As of September 15, 2009, approximately \$16.4 billion of State Personal Income Tax Revenue Bonds were Outstanding. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Series 2009 Bonds” and “—Additional Bonds.”

The Series 2009 Bonds are being issued for the purpose of funding grants to local school districts to pay costs of certain school projects over and above existing State school building aid apportionments under the Expanding our Children’s Education and Learning (“EXCEL”) program. Grants under the EXCEL program finance capital works or purposes for school districts which fall into one of the following categories: (i) projects designed to enhance the use of technology; (ii) health and safety improvement projects; (iii) expansion and new construction projects intended to increase the availability of instructional space and reduce class size; (iv) projects designed to enhance accessibility of school facilities for individuals with disabilities; and (v) energy conservation projects. The Authority is authorized to finance only those grants for which the Commissioner of Education has certified an aid apportionment for the EXCEL project. In connection with each such certified project, the Authority enters into a grant disbursement agreement (a “Grant Disbursement Agreement”) with the grantee school district. Pursuant to such Grant Disbursement Agreement, the Authority agrees to periodically reimburse the grantee school district for eligible EXCEL project costs expended or incurred by such school district and such school district agrees to use the grant proceeds and the EXCEL project only for purposes permitted under the Grant Disbursement Agreement. Additionally, all or a portion of the cost of issuance of the Series 2009 Bonds will be financed with the proceeds thereof. **The Series 2009 Bonds are not secured by the Projects (as defined in the General Resolution) or any interest therein.**

**The Series 2009 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2009 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest, if any, on the Series 2009 Bonds. The Authority has no taxing power.**

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the General Resolution. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Certain Defined Terms.”

### **The Series 2009 Bonds**

***Designation of Series 2009 Bonds as Qualified School Construction Bonds.*** The Series 2009 Bonds will be issued as “qualified school construction bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) and as defined in Section 54F of the Code. The Series 2009 Bonds include a component relating to the principal payment (the “Principal Component”) and a component relating to the tax credits, which the Owners of the Series 2009 Bonds will be allowed under the Code, subject to the limitations more fully described herein, on each Tax Credit Allowance Date as set forth on the inside cover page hereof (each, a “Tax Credit Allowance Date”), to apply against federal income tax liability (the “Tax Credit Component”). See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – The Tax Credit Program” and “PART 12—TAX MATTERS” herein.

***Payment of Principal.*** Principal of the Series 2009 Bonds is payable on the maturity date thereof.

***Separation and Recombining of Principal Component and Tax Credit Component.*** At the option of an Owner of a Series 2009 Bond, the ownership of the Principal Component and the Tax Credit Component may be separated or “stripped” from such Series 2009 Bond. Upon any such separation, the Principal Component and the Tax Credit Component will be evidenced by principal certificates (the “Principal Strip Certificates”) and tax credit certificates (the “Tax Credit Certificates”), each of which will be separately registered by the Trustee. In addition, the Owner of a Principal Strip Certificate and the requisite number of Tax Credit Certificates may recombine such Principal Strip Certificate and Tax Credit Certificates into unstripped Series 2009 Bonds.

***Form and Registration.*** The Series 2009 Bonds will be initially issued in book-entry form only, in denominations of \$40,000 principal amount or integral multiples thereof, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2009 Bonds and, if separated, the Principal Strip Certificates and the Tax Credit Certificates. If separated, Principal Strip Certificates will be executed and delivered in denominations of \$40,000 principal amount or integral multiples thereof and Tax Credit Certificates will be executed and delivered in denominations of an amount equal to twenty-five percent (25%) of the product of (A) \$40,000 and (B) the tax credit rate applicable to the Series 2009 Bonds set forth on the front inside cover page hereof (the “Tax Credit Rate”), or any integral multiple thereof, except that the Authorized Denomination for Tax Credit Certificates with respect to the first Tax Credit Allowance Date will be pro rated by the number of days from the date of initial issuance and delivery of the Series 2009 Bonds to the first Tax Credit Allowance Date.

Purchasers will not receive physical delivery of the Series 2009 Bonds purchased by them or the Principal Strip Certificates and the Tax Credit Certificates separated therefrom. Payments of principal of the Series 2009 Bonds will be made by Deutsche Bank Trust Company Americas, as Trustee and Paying Agent (the “Trustee” or “Paying Agent”) with respect to the Series 2009 Bonds, to DTC, for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2009 Bonds. See “PART 7—BOOK-ENTRY ONLY SYSTEM” herein.

***Redemption of Series 2009 Bonds.*** The Series 2009 Bonds are not subject to optional or mandatory sinking fund redemption. The Series 2009 Bonds are subject to extraordinary mandatory redemption prior to maturity, as more fully described herein. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Redemption of the Series 2009 Bonds” herein.

***Conversion of Series 2009 Bonds into Interest Bearing Bonds.*** The Series 2009 Bonds may, in certain circumstances, be converted, in whole or in part, to bonds that, bear interest at the Tax Credit Rate (the “Interest Bearing Bonds”), in lieu of providing the Owner thereof credits against federal income tax liability. Such interest would be payable on each March 15, June 15, September 15 and December 15 (each, a “Cash Interest Payment Date”), commencing on the March 15, June 15, September 15 or December 15 immediately after the date the Series 2009 Bonds are converted to Interest Bearing Bonds (the “Cash Interest Payments”). Upon any such conversion, each Interest Bearing Bond so converted would bear interest from the Cash Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated during the period after the Record Date immediately preceding any Cash Interest Payment Date to and including such Cash Interest Payment Date, in which event it will bear interest from such Cash Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Cash Interest Payment Date, in which event it will bear interest from the Tax Credit Conversion Date (defined herein). See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Conversion of Series 2009 Bonds into Interest Bearing Bonds” herein.

The Interest Bearing Bonds, if any, will include a Principal Component and a component relating to the Cash Interest Payments (the “Cash Interest Payment Component”), and, at the option of an Owner

of an Interest Bearing Bond, the ownership of the Principal Component and the Cash Interest Payment Component may be separated or “stripped” from such Interest Bearing Bond. Upon any such separation, the Principal Component and the Cash Interest Payment Component will be evidenced by Principal Strip Certificates and cash interest certificates (the “Cash Interest Certificates”), each of which will be separately registered by the Trustee. In addition, the Owner of a Principal Strip Certificate and the requisite number of Cash Interest Certificates may recombine such Principal Strip Certificate and Cash Interest Certificates into unstripped Interest Bearing Bonds.

The Interest Bearing Bonds, if any, will be delivered in book-entry form only and will be registered in the name of Cede & Co., as nominee for DTC. The Interest Bearing Bonds, if any, will be delivered in denominations of \$5,000 or any integral multiple thereof; provided, however, that, if separated, Principal Strip Certificates will be delivered in denominations of \$40,000 principal amount or integral multiples thereof and Cash Interest Certificates will be executed and delivered in denominations of an amount equal to twenty five percent (25%) of the product of (A) \$40,000 and (B) the Tax Credit Rate, or any integral multiple thereof.

### **Certain Investor Considerations Regarding Qualified School Construction Bonds**

**(Capitalized terms used but not defined in the following six paragraphs have the meanings set forth elsewhere in this Official Statement.)**

**The Series 2009 Bonds are a new security which is authorized by the Recovery Act. Presently, there is no secondary market for either the Series 2009 Bonds or, if separated, the Principal Strip Certificates and the Tax Credit Certificates. There can be no assurance that a secondary market will develop, or if a secondary market does develop, that it will provide Owners with liquidity or continue to exist for the full term of the Series 2009 Bonds. The Underwriters are under no obligation to make a secondary market for the Series 2009 Bonds, the Principal Strip Certificates or the Tax Credit Certificates. If a secondary market develops, the Series 2009 Bonds, the Principal Strip Certificates and Tax Credit Certificates may be subject to greater price volatility than traditional municipal bonds. The mechanics of transfer and registration and the developing nature of the tax treatment of the Series 2009 Bonds, the Principal Strip Certificates and Tax Credit Certificates may further limit the liquidity and market value of the Series 2009 Bonds, the Principal Strip Certificates and Tax Credit Certificates.**

**The Tax Credits are not refundable tax credits. If an Owner of a Series 2009 Bond or a Tax Credit Certificate has federal gross income tax liability for a given year less than the amount of Tax Credits to which it is entitled for that year, then the Owner would be required to carry forward any excess Tax Credit to subsequent tax years. See “PART 12—TAX MATTERS” herein.**

**The Tax Credits to which an Owner is entitled on a particular Tax Credit Allowance Date are not transferable after such Tax Credit Allowance Date.**

**To the extent that an Owner is not a U.S. taxpayer or does not now or will not in the future have a federal income tax liability, and owns a Series 2009 Bond or a Tax Credit Certificate on a Tax Credit Allowance Date, the related Tax Credit cannot be utilized. There can be no assurance that an Owner would be able to sell a Series 2009 Bond or a Tax Credit Certificate prior to the related Tax Credit Allowance Date.**

**Because of the developing nature of practices and regulations related to the qualified school construction bond provisions of the Recovery Act, it may be necessary following the date of delivery of the Series 2009 Bonds for the Authority and the Trustee to make changes to the transfer,**



exchange, stripping or other provisions of the Resolutions as additional guidance is provided by the IRS. See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS – Separation and Recombining of Principal Component and Tax Credit Component – *Modifications of the Resolutions*” and “PART 12—TAX MATTERS” herein.

The Series 2009 Bonds are subject to extraordinary mandatory redemption in an amount equal to the unexpended Available Project Proceeds on December 15, 2012 (unless such date is extended by the IRS for up to an additional two years). See “PART 5—DESCRIPTION OF THE SERIES 2009 BONDS—Redemption of the Series 2009 Bonds”. Under the EXCEL Program, the Authority is authorized to finance only those grants for which the Commissioner of Education has certified an aid apportionment for the EXCEL projects. There are currently approximately \$64 million of certified grant amounts that are eligible to be financed with the proceeds of the sale of Bonds. In addition, approximately \$467 million of additional grants (exclusive of associated bond costs of issuance) are authorized under the EXCEL Program but for which aid apportionments have not yet been certified. As additional certifications are received that can be reimbursed out of the proceeds of qualified school construction bonds, proceeds of the Series 2009 Bonds that have not already been allocated will be used to fund these projects. Given the Authority’s experience with historical expenditure patterns of school districts that have executed grant disbursement agreements with the Authority and with the project certification process with the State Education Department, the Authority anticipates disbursing all of the proceeds of the Series 2009 Bonds within three years of the date issuance. However, there can be no assurance that all Series 2009 Bond proceeds will be expended prior to the date that would trigger an extraordinary mandatory redemption of the applicable portion of the Series 2009 Bonds.

**PART 3—SECURITY AND SOURCES OF PAYMENT FOR  
STATE PERSONAL INCOME TAX REVENUE BONDS**

**The Revenue Bond Tax Fund**

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Bonds by establishing the Revenue Bond Tax Fund for the purpose of setting aside New York State Personal Income Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller (the “State Comptroller”) and the Commissioner of Taxation and Finance (the “Commissioner”) and requires that all moneys on deposit in the Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments is a statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law which, pursuant to Section 171-a of the Tax Law, are deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the “STAR Fund”). Prior to such date New York State personal income tax receipts were net of refunds and deposits to the STAR Fund. See “PART 4 - SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND – Revenue Bond Tax Fund Receipts.”

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

**Series 2009 Bonds**

The Series 2009 Bonds are special obligations of the Authority, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to Deutsche Bank Trust Company Americas, as Trustee and Paying Agent (the “Trustee” or “the Paying Agent”) on behalf of the Authority in accordance with the terms and provisions of a Financing Agreement by and between the Authority and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in such Resolution). A copy of the form of the Financing Agreement relating to the Series 2009 Bonds is included as Appendix C hereto. The Series 2009 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act permits the Authority and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds.

In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately \$9.2 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 5.9 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2009 Bonds and the \$377,635,000 million of State Personal Income Tax Revenue Bonds (General Purpose) to be issued by the Authority (the “CUNY PIT Bonds”) on the same day as the date of delivery of the Series 2009 Bonds. Assuming the issuance of approximately \$1.5 billion of State Personal Income Tax Revenue Bonds expected to be issued by the New York State Urban Development Authority (the “UDC PIT Bonds”) contemporaneously with the issuance of the Series 2009 Bonds, the Revenue Bond Tax Fund Receipts that would be available in Fiscal Year 2009-10 to pay financing agreement payments would be approximately 5.3 times the maximum aggregate Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2009 Bonds, the CUNY PIT Bonds and the projected debt service on the UDC PIT Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See “-Additional Bonds” below.

The revenues, facilities, properties and any and all other assets of the Authority of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the General Resolution, and under no circumstances shall these be available for such purposes. See “PART 10 - THE AUTHORITY” for a further description of the Authority.

#### **Certification of Payments to be Set Aside in Revenue Bond Tax Fund**

The Enabling Act, the general resolutions and the financing agreements provide procedures for setting aside amounts from the New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund to ensure that sufficient amounts will be available to make financing agreement payments, when due, to the applicable trustees on behalf of the Authority and the other Authorized Issuers.

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Personal Income Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Division of the Budget.
2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:
  - (a) 25 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and
  - (b) the monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.

3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.
4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

In addition, the general resolutions and the financing agreements require the State Comptroller to set aside, monthly, in the Revenue Bond Tax Fund, amounts such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund as provided in 2(a) above, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of the Authorized Issuers in the following month.

The Director of the Budget may amend such certification as shall be necessary, provided that the Director of the Budget shall amend such certification no later than thirty (30) days after the issuance of any State Personal Income Tax Revenue Bonds, including refunding bonds, or after the execution of any interest rate exchange (or “swap”) agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act provides that the State Comptroller shall adjust the amount of estimated New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund from the Withholding Component to the actual amount certified by the Commissioner.

### **Set Aside of Revenue Bond Tax Fund Receipts**

As provided by the Enabling Act, the general resolutions, the financing agreements and the certificate of the Director of the Budget, the State Comptroller is required to:

1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.
2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund in such month, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of all the Authorized Issuers in the following month.

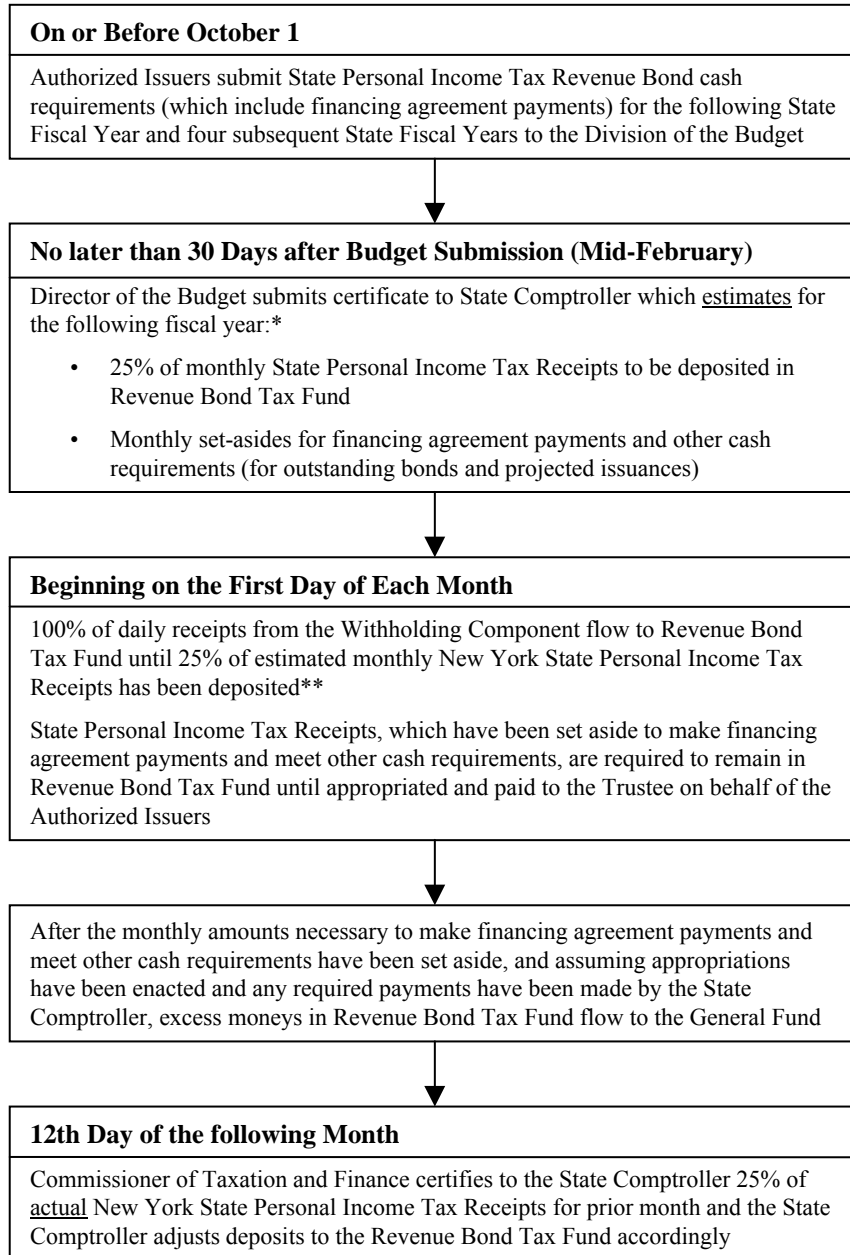
The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments.

Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Revenue Bond Tax Fund Receipts are insufficient to meet the debt service and other cash requirements of all the Authorized Issuers as set forth in the certificate of the Director of the Budget, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund. Amounts so transferred to the Revenue Bond Tax Fund can only be used to pay financing agreement payments (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

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## Flow of Revenue Bond Tax Fund Receipts

The following chart summarizes the flow of Revenue Bond Tax Fund Receipts.



\* The Director of the Budget can amend the certification at any time to more precisely account for a revised New York State Personal Income Tax Receipts estimate or actual debt service and other cash requirements, and to the extent necessary, shall do so not later than thirty days after the issuance of any State Personal Income Tax Revenue Bonds.

\*\* The State can certify and set aside New York State Personal Income Tax Receipts in excess of the next month's financing agreement payment requirements to ensure amounts previously set aside and on deposit in the Revenue Bond Tax Fund together with 25 percent of estimated monthly New York State Personal Income Tax Receipts to be deposited in such month are not less than 125 percent of all financing agreement payments due in the following month.

## **Moneys Held in the Revenue Bond Tax Fund**

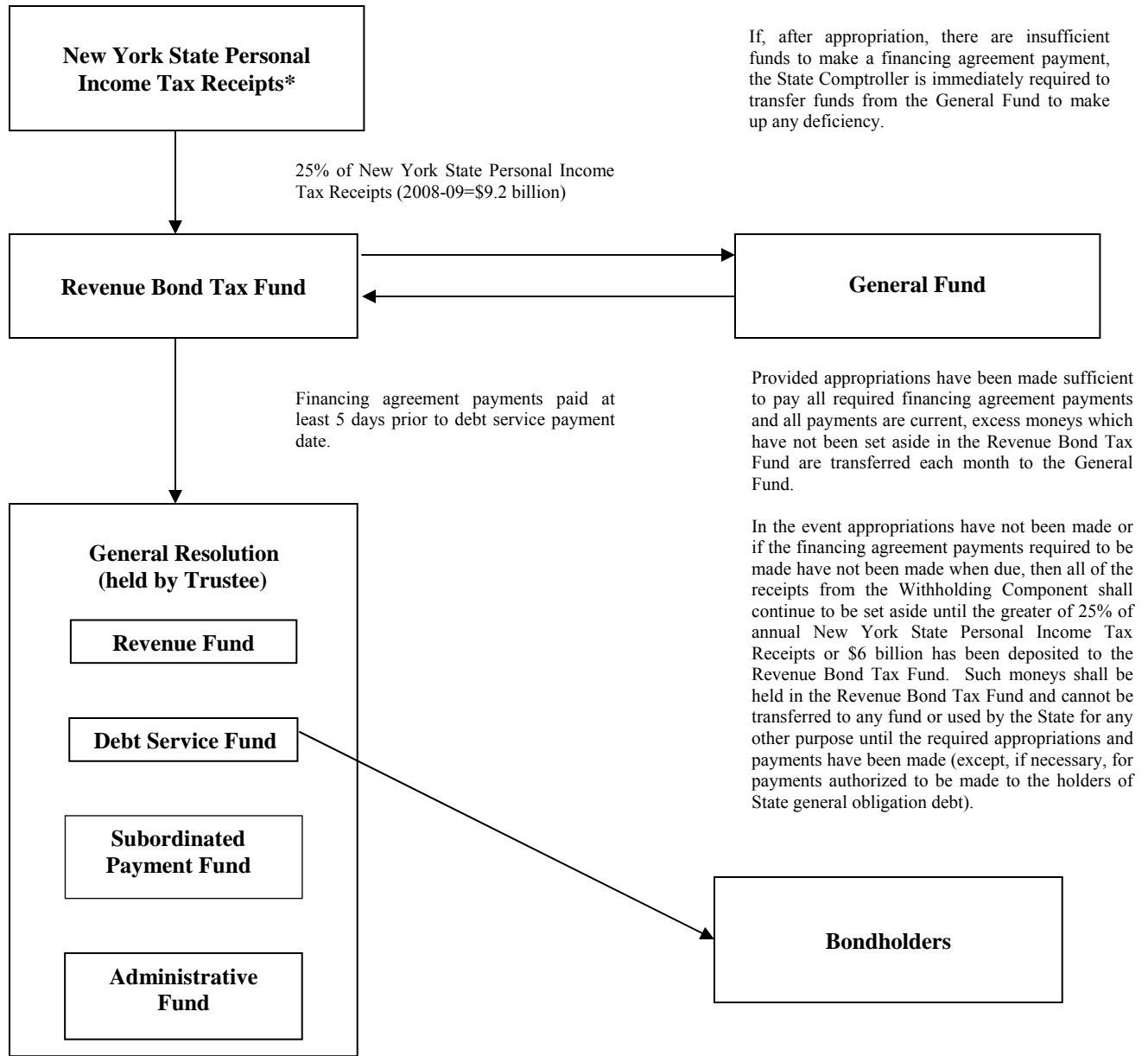
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authority and other Authorized Issuers (which are paid to the applicable trustees on behalf of the Authority and the other Authorized Issuers), unless two requirements are met. First, all payments as certified by the Director of the Budget for a State Fiscal Year must have been appropriated to the Authority and other Authorized Issuers for the payment of financing agreement payments (including debt service) in the full amount specified in the certificate of the Director of the Budget. Second, each certified and appropriated payment for which moneys are required to be set aside as provided in the Enabling Act must have been made to the trustees on behalf of the Authority and other Authorized Issuers when due.

If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by the Authority and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of the Authority and all other Authorized Issuers are current, then the State Comptroller is required by the Enabling Act to pay over and distribute to the credit of the General Fund of the State (the "General Fund"), at least once a month, all amounts in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside. The Enabling Act also requires the State Comptroller to pay to the General Fund all sums remaining in the Revenue Bond Tax Fund on the last day of each State Fiscal Year, but only if the State has appropriated and paid to the applicable trustees on behalf of the Authority and all other Authorized Issuers the amounts necessary for the Authority and all other Authorized Issuers to meet their cash requirements for the current State Fiscal Year and, to the extent certified by the Director of the Budget, set aside any cash requirements required for the next State Fiscal Year.

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer, including the Authority.

The Enabling Act provides that no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on moneys on deposit in the Revenue Bond Tax Fund and that the State's agreement to make financing agreement payments shall be executory only to the extent such payments have been appropriated.

**Flow of Revenues**



\* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.



## **Appropriation by the State Legislature**

The State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the Revenue Bond Tax Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law generally provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. See “– Moneys Held in the Revenue Bond Tax Fund” in this section.

The Authority expects that the State Legislature will make an appropriation from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. In addition, in the event that the State Legislature fails to provide an appropriation, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of the annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). The Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the Tax Law.

All payments required by financing agreements entered into by the State shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.

**State Personal Income Tax Revenue Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall State Personal Income Tax Revenue Bonds be payable out of any funds other than those pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on State Personal Income Tax Revenue Bonds.**

Pursuant to the Enabling Act, Revenue Bond Tax Fund Receipts which have been set aside to pay when due the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund until they are appropriated and used to make financing agreement payments. However, the Enabling Act also provides that the use of such Revenue Bond Tax Fund Receipts by the State Comptroller is “subject to the rights of holders of debt of the state” (i.e., general obligation bondholders who benefit from the faith and credit pledge of the State). Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation debt. In the

event that such revenues and other amounts in the General Fund are insufficient to so pay general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund to pay debt service on general obligation bonds.

The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets and, as a result, on the ability of the State to meet its non-debt obligations.

### **Additional Bonds**

Pursuant to each general resolution, additional bonds may be issued by the related Authorized Issuer, *provided* that the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all Outstanding State Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations, as certified by the Director of the Budget.

For additional information, see “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – Special Provisions for Additional Bonds” and “ – Refunding Bonds.”

### **Parity Reimbursement Obligations**

An Authorized Issuer, including the Authority, may incur Parity Reimbursement Obligations pursuant to the terms of the general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Personal Income Tax Revenue Bond and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State Personal Income Tax Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Personal Income Tax Revenue Bonds, without acceleration. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

### **Certain Covenants of the State**

Pursuant to the general resolutions, the State pledges and agrees with the holders of State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder that the State will not in any way impair the rights and remedies of holders of such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations until such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder, together with interest thereon, with interest, if any, on any unpaid installments of interest and

all costs and expenses in connection with any action or proceeding by or on behalf of the holders are fully met and discharged.

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

### **Reservation of State's Right to Substitute Credit**

Pursuant to the Enabling Act, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that may include the Revenues pledged under the general resolutions, (i) to assume, in whole or in part, State Personal Income Tax Revenue Bonds, (ii) to extinguish the existing lien on the pledged property created under the general resolutions, and (iii) to substitute security for State Personal Income Tax Revenue Bonds, in each case only so long as the assumption, extinguishment and substitution is accomplished in accordance with either of two provisions of the general resolutions. (For these purposes, any State Personal Income Tax Revenue Bonds paid or deemed to have been paid in accordance with the applicable general resolution on or before the date of any assumption, extinguishment and substitution are not to be taken into account in determining compliance with those provisions.) The first provision of the general resolutions is intended to permit an assumption, extinguishment and substitution, without any right of consent of Bondholders or other parties, if certain conditions are satisfied. The second provision of the general resolutions permitting such an assumption, extinguishment and substitution is intended to permit a broader range of changes with the consent of issuers of Credit Facilities and the consent of certain Bondholders. It provides that any such assumption, extinguishment and substitution may be effected if certain conditions are satisfied.

In the event a constitutional amendment becomes a part of the State Constitution, there can be no assurance that the State will exercise its rights of assumption, extinguishment, and substitution with respect to State Personal Income Tax Revenue Bonds. There can be no assurance that the Authority or any other Authorized Issuer would be the issuer of any such State Revenue Bonds upon any such assumption, extinguishment and substitution and, if not the Authority or any other Authorized Issuer, the issuer of such State Revenue Bonds could be the State or another public entity.

See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – SUMMARY OF CERTAIN Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – Reservation of State Rights of Assumption, Extinguishment and Substitution."

## **PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND**

### **General History of the State Personal Income Tax**

In 1919, New York State became the seventh state to enact a personal income tax. The present system of conformity to Federal Law with respect to income and deductions was adopted in 1960. The personal income tax is New York's largest source of tax revenue and consistently accounts for more than one-half of all State tax receipts.

The State's personal income tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, such as: (1) the inclusion of investment income from debt instruments issued by other states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to \$20,000 (\$40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

Changes in Federal tax law from time to time may positively or negatively affect the amount of personal income tax receipts collected by the State. State Tax Law changes may also impact personal income tax receipts by authorizing a wide variety of credits against the personal income tax liability of taxpayers.

Major tax credits include: Empire State Child Credit (enacted and effective in 2006); Earned Income Tax Credit; Child and Dependent Care Credit; Household Credit; College Tuition Credit; Long-term Care Insurance Credit; Investment Credits; and, Empire Zone Credits.

### **Personal Income Tax Rates**

Taxable income equals New York adjusted gross income (AGI) less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with \$100,000 or more of AGI, the benefit of the marginal tax rates in the lower brackets was recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applies, adding two additional rates and brackets. The following tables set forth the rate schedules for tax years 2009 through 2011 and for tax years after 2011.

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## New York State Personal Income Tax Rates for Tax Years 2009 Through 2011

	Tax*
<b>Married Filing Jointly</b>	
Taxable Income:	
Not over \$16,000 .....	4% of taxable income
Over \$16,000 but not over \$22,000.....	\$640 plus 4.50% of excess over \$16,000
Over \$22,000 but not over \$26,000.....	\$910 plus 5.25% of excess over \$22,000
Over \$26,000 but not over \$40,000.....	\$1,120 plus 5.90% of excess over \$26,000
Over \$40,000 but not over \$300,000.....	\$1,946 plus 6.85% of excess over \$40,000
Over \$300,000 but not over \$500,000.....	\$19,756 plus 7.85% of excess over \$300,000
Over \$500,000.....	\$35,456 plus 8.97% of excess over \$500,000

### Single, Married Filing Separately, Estates and Trusts

Taxable Income:	
Not over \$8,000 .....	4% of taxable income
Over \$8,000 but not over \$11,000.....	\$320 plus 4.50% of excess over \$8,000
Over \$11,000 but not over \$13,000.....	\$455 plus 5.25% of excess over \$11,000
Over \$13,000 but not over \$20,000.....	\$560 plus 5.90% of excess over \$13,000
Over \$20,000 but not over \$200,000.....	\$973 plus 6.85% of excess over \$20,000
Over \$200,000 but not over \$500,000.....	\$13,303 plus 7.85% of excess over \$200,000
Over \$500,000.....	\$36,853 plus 8.97% of excess over \$500,000

### Head of Household

Taxable Income:	
Not over \$11,000 .....	4% of taxable income
Over \$11,000 but not over \$15,000.....	\$440 plus 4.50% of excess over \$11,000
Over \$15,000 but not over \$17,000.....	\$620 plus 5.25% of excess over \$15,000
Over \$17,000 but not over \$30,000.....	\$725 plus 5.90% of excess over \$17,000
Over \$30,000 but not over \$250,000.....	\$1,492 plus 6.85% of excess over \$30,000
Over \$250,000 but not over \$500,000.....	\$16,562 plus 7.85% of excess over \$250,000
Over \$500,000.....	\$36,187 plus 8.97% of excess over \$500,000

\* A supplemental income tax recaptures the value of lower tax brackets such that when a taxpayer's AGI exceeds \$550,000, all taxable income becomes effectively subject to a flat 8.97 percent tax rate.

## New York State Personal Income Tax Rates for Tax Years After 2011

	Tax*
<b>Married Filing Jointly</b>	
Taxable Income:	
Not over \$16,000 .....	4% of taxable income
Over \$16,000 but not over \$22,000.....	\$640 plus 4.50% of excess over \$16,000
Over \$22,000 but not over \$26,000.....	\$910 plus 5.25% of excess over \$22,000
Over \$26,000 but not over \$40,000.....	\$1,120 plus 5.90% of excess over \$26,000
Over \$40,000 .....	\$1,946 plus 6.85% of excess over \$40,000

### Single, Married Filing Separately, Estates and Trusts

Taxable Income:	
Not over \$8,000 .....	4% of taxable income
Over \$8,000 but not over \$11,000.....	\$320 plus 4.50% of excess over \$8,000
Over \$11,000 but not over \$13,000.....	\$455 plus 5.25% of excess over \$11,000
Over \$13,000 but not over \$20,000.....	\$560 plus 5.90% of excess over \$13,000
Over \$20,000 .....	\$973 plus 6.85% of excess over \$20,000

### Head of Household

Taxable Income:	
Not over \$11,000 .....	4% of taxable income
Over \$11,000 but not over \$15,000.....	\$440 plus 4.50% of excess over \$11,000
Over \$15,000 but not over \$17,000.....	\$620 plus 5.25% of excess over \$15,000
Over \$17,000 but not over \$30,000.....	\$725 plus 5.90% of excess over \$17,000
Over \$30,000 .....	\$1,492 plus 6.85% of excess over \$30,000

\* A supplemental income tax recaptures the value of lower tax brackets such that when taxpayers' AGI exceeds \$150,000 all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

## **Components of the Personal Income Tax**

The components of personal income tax liability include withholding, estimated payments, final returns, delinquencies and refunds. Taxpayers prepay their tax liability through payroll withholding taxes imposed by Section 671 of Article 22 of the Tax Law (the “Withholding Component”) and estimated taxes imposed by Section 685 of Article 22 of the Tax Law. The New York State Department of Taxation and Finance collects the personal income tax from employers and individuals and reports the amount collected to the State Comptroller, who deposits collections net of overpayments and administrative costs.

Initiated in 1959, withholding tax is the largest component of income tax collections. New York requires employers to withhold and remit personal income taxes on wages, salaries, bonuses, commissions and similar income. The amount of withholding varies with the rates, deductions and exemptions. Under current law, employers must remit withholding liability within three business days after each payroll once the cumulative amount of liability reaches \$700. Certain small businesses and educational and health care organizations may make their withholding remittance within five business days, and employers with less than \$700 of withheld tax can remit it on a quarterly basis. Large employers (aggregate tax of more than \$100,000 per year) must make timely payment by electronic funds transfer or by certified check.

## **Revenue Bond Tax Fund Receipts**

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the New York State Tax Law which are deposited pursuant to Section 171-a of the Tax Law (“New York State Personal Income Tax Receipts”) shall be deposited in the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds paid to taxpayers. Legislation enacted in 2007 and effective April 1, 2007 increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the STAR Fund. Moneys in the STAR Fund are used to reimburse school districts for school tax reductions and property tax rebates provided to homeowners and to reimburse The City of New York for personal income tax reductions enacted as part of the School Tax Relief program. The Debt Reduction Reserve Fund was established in State Fiscal Year 1998-99 to reserve onetime available resources to defease certain State-supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State-supported debt. In State Fiscal Years 2000-01 and 2001-02, \$250 million was deposited from New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund. New York State Personal Income Tax Receipts for State Fiscal Years 2000-01 and 2001-02 exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund thereafter.

Beginning on the first day of each month, the Enabling Act requires the State Comptroller to deposit in the Revenue Bond Tax Fund all of the receipts from the Withholding Component until an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund Receipts”).

In State Fiscal Year 2008-09, New York State Personal Income Tax Receipts were approximately \$36.8 billion and accounted for approximately 61 percent of State tax receipts in all State Funds. The First Quarterly Update to the 2009-10 Financial Plan estimates New York State Personal Income Tax Receipts at \$36.1 billion for State Fiscal Year 2009-10.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 1999-2000 through 2009-10. For State Fiscal Years 1999-2000 through 2002-03, the table provides a pro forma estimate equivalent to 25 percent of New York State Personal Income Tax Receipts that would have been deposited to the Revenue Bond Tax Fund had the Enabling Act been in effect during the entirety of those State Fiscal Years. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

**NYS Personal Income Tax Receipts, Withholding Components and  
State Revenue Bonds Tax Fund Receipts  
State Fiscal Years 1999-2000 through 2009-10**

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Withholding/State Personal Income Tax Receipts</u>	<u>Revenue Bond Tax Fund Receipts*</u>
1999-2000.....	\$21,999,634,064	\$18,460,534,313	83.9%	\$5,499,908,516
2000-01.....	23,116,012,541	20,955,093,052	90.7	5,779,003,135
2001-02.....	24,013,593,585	20,261,325,030	84.4	6,003,398,396
2002-03.....	19,984,262,417	19,959,388,350	99.9	4,996,065,604
2003-04.....	21,827,770,700	21,985,657,770	100.7	5,456,942,675
2004-05.....	25,040,965,404	23,374,513,925	93.3	6,260,241,351
2005-06.....	27,599,721,585	24,760,667,777	89.7	6,899,930,396
2006-07.....	30,586,021,803	26,802,005,019	87.6	7,646,505,451
2007-08.....	36,563,948,528**	28,440,134,437	77.8	9,140,987,132**
2008-09.....	36,840,019,400**	27,686,157,203	75.2	9,210,004,850**
2009-10 (est.).....	36,104,500,000**	29,328,000,000	81.2	9,026,100,000**

\* Twenty-five percent of New York State Personal Income Tax Receipts shown on an annualized and *pro forma* basis for State Fiscal Years 1999-2000 through 2002-03.

\*\* Reflects legislation enacted in 2007 and effective April 1, 2007 that calculates Revenue Bond Tax Fund Receipts prior to the deposit of New York State personal income tax receipts to the STAR Fund.

In State Fiscal Year 2008-09, New York State Personal Income Tax Receipts totaled approximately \$36.8 billion. The First Quarterly Update to the 2009-10 Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will decrease by 2.0 percent to \$36.1 billion in 2009-10.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the State Division of the Budget (“DOB”) for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liability estimates are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see “—General History of the State Personal Income Tax” above) that will affect each year’s tax liability. **The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts.** Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen five times on a year-over-year basis, in 1964-65, 1971-72, 1977-78, 1990-91 and 2002-03.

For a more detailed discussion of the effects of the recent global financial downturn on the State’s economy, the general economic and financial condition of the State and its projection of personal income tax receipts, see “APPENDIX A —INFORMATION CONCERNING THE STATE OF NEW YORK.”

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 2000 through 2009.

**NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2000 to 2009\***

<u>Tax Year</u>	<u>NYS AGI</u>	<u>Percent Change</u>	<u>Personal Income</u>	
			<u>Tax Liability</u>	<u>Percent Change</u>
	<i>(\$ in millions)</i>			
2000 .....	\$508,934	13.5%	\$24,494	16.8%
2001 .....	481,001	(5.5)	22,406	(8.5)
2002 .....	459,919	(4.4)	20,729	(7.5)
2003 .....	473,778	3.0	22,456	8.3
2004 .....	525,964	11.0	25,769	14.8
2005 .....	571,916	8.7	28,484	10.5
2006 .....	632,601	10.6	29,838	4.8
2007 (est.) .....	724,981	14.6	35,330	18.4
2008 (est.) .....	673,232	(7.1)	32,024	(9.4)
2009 (proj.) .....	619,907	(7.9)	32,392	1.1

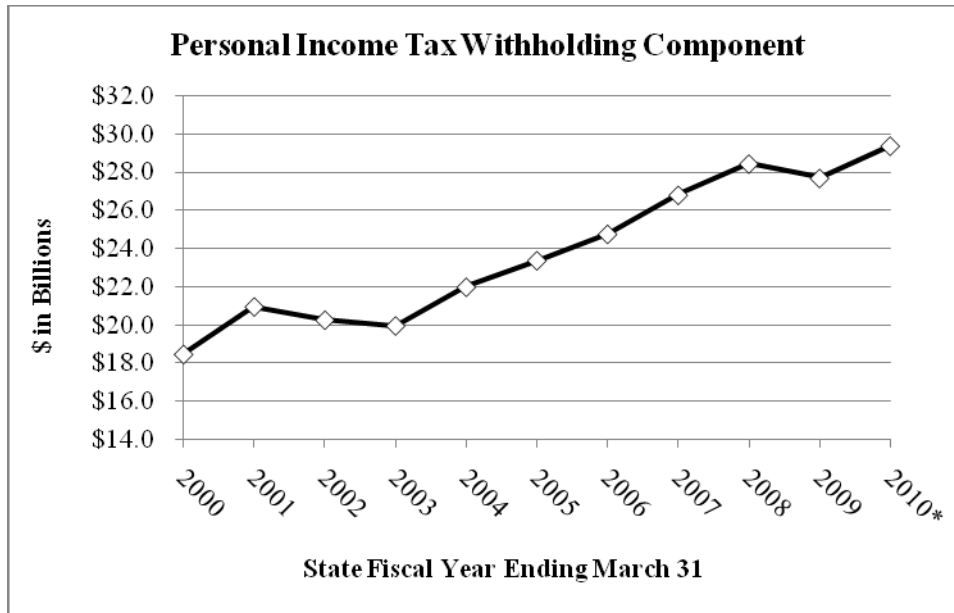
\* NYS AGI and Personal Income Tax Liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

The table indicates that under the State’s progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Tax liability for tax years 2003 through 2005 reflect a temporary tax rate surcharge on high-income taxpayers, which increased overall liability by about 7 percent, while the low 4.8 percent growth in tax liability for tax year 2006 reflects the expiration of the surcharge at the end of 2005. Tax liability and adjusted gross income increased for most of the past ten years. Exceptions are the September 11 related years of 2001 and 2002 and the current recession that is projected to lower adjusted gross income for 2008 and 2009, and tax liability for 2008. For tax year 2009, a new temporary tax rate surcharge on high-income taxpayers is projected to result in a small year-over-year increase in tax liability in spite of the sizeable decrease in adjusted gross income.

The following graph shows the history of withholding receipts since State Fiscal Year 1999-2000. Like overall adjusted gross incomes and tax liabilities, withholding has steadily increased each year except the recession-related State Fiscal Years 2001-02, 2002-03 and 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge which applied during State Fiscal Years 2003-04 through 2005-06 and for the State Fiscal Year 2009-10 estimate, which reflects the temporary tax rate increase.

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\* Estimated.

For a discussion of the general economic and financial condition of the State, see “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK.”

## PART 5—DESCRIPTION OF THE SERIES 2009 BONDS

### Designation of Series 2009 Bonds as Qualified School Construction Bonds

The Series 2009 Bonds will be designated by the Authority as “qualified school construction bonds” under the provisions of the Recovery Act and as defined in Section 54F of the Code. The total amount of “qualified school construction bonds” issued nationally in calendar year 2009 is limited by the Code to \$11 billion, and the United States Department of the Treasury (the “Treasury Department”) has allocated a portion of such limit to the State for calendar year 2009 (the “Allocation”) in the amount of \$192,049,000. Prior to the issuance of the Series 2009 Bonds, the State will assign the Allocation to the Authority.

### The Tax Credit Program

Under the Code, the Owners of qualified school construction bonds are allowed a credit (the “Tax Credit”) against their federal income tax liability (herein referred to as the “Tax Credit Program”). The Series 2009 Bonds have been designated by the Authority as “qualified school construction bonds” under the Tax Credit Program. Each Series 2009 Bond includes a Principal Component and a Tax Credit Component. Under the Code, the ownership of the Principal Component and the Tax Credit Component of a Series 2009 Bond may be separated or “stripped” from such Series 2009 Bond. The Owner of a Tax Credit (as evidenced by either an unstripped Series 2009 Bond or a stripped Tax Credit Certificate) will be allowed, subject to the limitations of Section 54A of the Code, a credit against the Owner’s federal income tax liability, except as otherwise described herein, on March 15, June 15, September 15 or December 15 of each year through the maturity date of such Series 2009 Bonds, or such earlier date on which such Series 2009 Bond is redeemed or converted to an Interest Bearing Bond (each, a “Tax Credit Allowance Date”).

The amount of each Tax Credit is calculated under the Tax Credit Program and is represented by either an unstripped Series 2009 Bond or a stripped Tax Credit Certificate. The amount of the Tax Credit is the amount equal to the twenty-five percent (25%) of the product of (i) the published credit rate for the date on which the Series 2009 Bond was sold by the Authority (5.80% per annum) and (ii) the outstanding principal amount of the Series 2009 Bond on the relevant Tax Credit Allowance Date. The Tax Credit allowed for the first Tax Credit Allowance Date of December 15, 2009, is the ratable portion of the tax credit otherwise allowed on such date based on the initial issuance date of the Series 2009 Bonds. If a Series 2009 Bond or a Principal Strip is redeemed or matures on a date other than March 15, June 15, September 15 or December 15, the redemption or maturity date will be deemed a Tax Credit Allowance Date and the amount of the associated Tax Credit will be a ratable portion of the tax credit otherwise allowed based on the earlier Tax Credit Allowance Date.

A taxpayer who owns a Series 2009 Bond or, if stripped, a Tax Credit Certificate, will recognize, subject to the limitations set forth in Section 54A of the Code, the amount of the Tax Credit as a credit against its federal income tax liability on a given Tax Credit Allowance Date. As of the date of this Official Statement, no regulations have been promulgated with respect to the allowance of a credit to the owners of qualified school construction bonds or the separation of the Principal Component and Tax Credit Components thereof. Prospective purchasers of the Series 2009 Bonds should be aware that regulations or other official guidance, if and when issued, may impose additional requirements, that may be applicable, prospectively or retroactively, to a holder's claim for allowance of the Tax Credits. The Authority expresses no opinion as to the utility of Tax Credits for any particular Owner or subsequent purchaser of a Series 2009 Bond or a Tax Credit Certificate, and prospective purchasers of Series 2009 Bonds or Tax Credit Certificates should consult with their own tax advisors concerning the purchase of Series 2009 Bonds or Tax Credit Certificates. See "PART 12—TAX MATTERS" herein.

The Series 2009 Bonds, the Principal Strip Certificates and the Tax Credit Certificates may be transferred as provided below. Each stripped Tax Credit Certificate will evidence only the Tax Credits associated with one Tax Credit Allowance Date for the related Series 2009 Bond and, when separated, multiple Tax Credit Certificates will be authenticated and delivered that in the aggregate contain all the Tax Credits related to a Series 2009 Bond for each Tax Credit Allowance Date. See "– Separation and Recombining of Principal Component and Tax Credit Component" herein.

### **Payment of Principal**

Principal of the Series 2009 Bonds or Principal Strip Certificates, if applicable, is payable on the maturity date thereof. The principal of the Series 2009 Bonds or Principal Strip Certificates, if applicable, will be payable, when due or upon redemption prior thereto, in lawful money of the United States of America to the person whose name appears on the registration books of the Trustee as the registered owner thereof upon the surrender thereof at the principal corporate trust office of the Trustee.

### **Separation and Recombining of Principal Component and Tax Credit Component**

*Separation of Principal Component and Tax Credit Component.* The Series 2009 Bonds include a Principal Component and a Tax Credit Component. At the option of an Owner of a Series 2009 Bond, the ownership of the Principal Component and the Tax Credit Component may be separated or "stripped" from such Series 2009 Bond. The Resolutions provide that, at any time, by written request to the Trustee in the form attached thereto (the "Tax Credit Strip Request"), the Owner of a Series 2009 Bond may, upon presentation of such Series 2009 Bond, direct the Trustee to authenticate and deliver Principal Strip Certificates in a face amount equal to the principal amount of the Series 2009 Bonds to be so separated, and Tax Credit Certificates representing the entitlement to the allocable Tax Credits with respect to such Series 2009 Bonds. The form of such Tax Credit Strip Request may be modified or

amended by the Trustee with the prior written consent of the Authority. Upon the receipt of a request and the presentation of the Series 2009 Bond to be stripped, the Trustee shall (i) authenticate and deliver to or upon the order of the Owner so requesting, Principal Strip Certificates in a face amount equal to the principal amount of the Series 2009 Bond so presented and (ii) authenticate and deliver to or upon the order of the Owner so requesting, Tax Credit Certificates for each remaining Tax Credit Allowance Date in a face amount equal to twenty-five percent (25%) of the product of (A) the principal amount of the Series 2009 Bond so presented and (B) the Tax Credit Rate.

The Resolutions provide that, notwithstanding the separation, if any, of the ownership of the Principal Component of a Series 2009 Bond from the entitlement of the Owner thereof to the related Tax Credits, the previously combined Series 2009 Bond will remain outstanding and the ownership of Principal Strip Certificates evidencing the rights to the related Principal Components related thereto and the ownership of the Tax Credit Certificates evidencing the rights to the Tax Credits related thereto will constitute such outstanding Series 2009 Bond.

***Recombining of Principal Component and Tax Credit Component.*** The Owner of a Principal Strip Certificate and the requisite number of Tax Credit Certificates may recombine such Principal Strip Certificate and Tax Credit Certificates into unstripped Series 2009 Bonds, at any time, by written request to the Trustee using the form attached thereto (the “Tax Credit Recombination Request”). To effect a recombination, the Owner of a Principal Strip Certificate must present the related Tax Credit Certificates having Tax Credit Allowance Dates corresponding to each and every Tax Credit Allowance Date that would remain with respect to a Series 2009 Bond, and having a face amount with respect to each such Tax Credit Allowance Date equal to the Tax Credits that would be related to a Series 2009 Bond with a principal amount equal to the Principal Strip Certificate to be recombined. The Trustee shall then authenticate and deliver a Series 2009 Bond in a principal amount equal to the face amount of the Principal Strip Certificate to be so converted. The form of such Tax Credit Recombination Request may be modified or amended by the Trustee with the prior written consent of the Authority.

***Modifications of the Resolutions.*** As of the date of this Official Statement, no regulations have been promulgated with respect to the allowance of a credit to the owners of qualified school construction bonds or the separation of the Principal Component and Tax Credit Components thereof. Such regulations, or other official guidance may impose additional requirements pertaining to the stripping of the Principal Component from the Tax Credits, including, among other things, requirements relating to the reporting and tracking of the ownership interests in the Tax Credit Components. Modifications may be required to be made to the Resolutions, or other actions, which are not known as of the date hereof, may be required to be taken with respect to a holder’s claim for allowance of a Tax Credit.

The provisions of the Resolutions relating to Tax Credits, including the stripping, recombining and conversion thereof may be amended, by the Authority with the written consent of the Trustee, and any such provision of the Resolutions may be waived, each without the consent of the Owners of the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates or Cash Interest Certificates or any other Person (as defined in the Resolutions), if (i)(a) an amendment to Section 54A or 54F of the Code is adopted, or a new or modified official interpretation of Section 54A or 54F of the Code is issued, after the date of delivery of the Series 2009 Bonds; (b) legislation has been enacted by the United States or the State, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or a regulation, proposed regulation or a temporary regulation or an official statement shall have been published in the Federal Register or any other release or announcement shall have been made by or on behalf of the Treasury Department of the United States, U.S. Securities and Exchange Commission or the IRS with respect to the stripping of Principal Strip Certificates or Tax Credit Certificates from the related Series 2009 Bonds, or (c) rules, procedures or guidance have been adopted by DTC or any successor or replacement securities depository

with respect to the stripping of Principal Strip Certificates or Tax Credit Certificates from the related Series 2009 Bonds and (ii) the Authority has delivered to the Trustee a Counsel's Opinion addressed to the Authority and the Trustee to the effect that performance by the Authority and Trustee under the Resolutions as so amended or giving effect to such waiver, as the case may be, will not result in a violation of Sections 54A or 54F of the Code. The Authority will cause to be provided to the Owners of the Series 2009 Bonds and Principal Strip Certificate and Tax Credit Certificates, if any, prompt notice of any such amendment to or waiver of any provision of the Resolutions.

### **Form and Registration; Book-Entry System for Principal Strip Certificates and Tax Credit Certificates**

The Series 2009 Bonds will be initially issued in book-entry form only, in denominations of \$40,000 principal amount or integral multiples thereof, and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. DTC will act as securities depository for the Series 2009 Bonds and, if separated, the Principal Strip Certificates and the Tax Credit Certificates, and registered ownership of the Series 2009 Bonds, the Principal Strip Certificates and Tax Credit Certificates, as applicable, may not thereafter be transferred except as provided in the Resolutions.

If separated, Principal Strip Certificates will be executed and delivered in denominations of \$40,000 principal amount or integral multiples thereof and Tax Credit Certificates will be executed and delivered in denominations of an amount equal to twenty-five percent (25%) of the product of (A) \$40,000 and (B) the Tax Credit Rate, or any integral multiple thereof, except that the Authorized Denomination for Tax Credit Certificates with respect to the first Tax Credit Allowance Date will be pro rated by the number of days from the date of initial issuance and delivery of the Series 2009 Bonds to the first Tax Credit Allowance Date.

Purchasers will not receive physical delivery of the Series 2009 Bonds purchased by them or the Principal Strip Certificates and the Tax Credit Certificates separated therefrom. Payments of principal of and interest, if any, on the Series 2009 Bonds will be made by the Paying Agent to DTC, for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2009 Bonds. See "PART 7—BOOK ENTRY ONLY SYSTEM" below.

DTC assumes no responsibility for the processing of Tax Credits, whether or not stripped, by the Beneficial Owners thereof, nor will it play any role in the process by which a Beneficial Owner might claim all or a ratable share of a Tax Credit against its federal income tax liability arising while the Series 2009 Bonds are outstanding. Beneficial Owners will have the sole responsibility for claiming Tax Credits and resolving any impact that ownership of the Tax Credits may have upon their federal income tax or state income tax liability as a consequence of ownership thereof.

If a Principal Strip Certificate and the related Tax Credit Certificates are separated, then the Principal Strip Certificates and the related Tax Credit Certificates will be executed and delivered, in book-entry only form, registered in the name of "Cede & Co." as nominee of DTC. Owners of the Series 2009 Bonds, which have been so separated will receive one Tax Credit Certificate for each Tax Credit Allowance Date for the related Series 2009 Bonds in amounts equal to Authorized Denominations.

Pursuant to the Resolutions, DTC will be the depository for the Series 2009 Bonds, Principal Strip Certificates and Tax Credit Certificates, as applicable, and registered ownership of the Series 2009 Bonds, Principal Strip Certificates and Tax Credit Certificates, as applicable, may not thereafter be transferred except as provided in the Resolutions.

In the case of any transfer relating to a successor of Cede & Co. or any substitute depository, as nominee of DTC, upon receipt of the Principal Strip Certificates and Tax Credit Certificates, as applicable, related to outstanding Series 2009 Bonds by the Trustee, together with a written request, new Principal Strip Certificates and Tax Credit Certificates, as applicable, for the same related series of Series 2009 Bonds, and maturity will be executed and delivered pursuant to the procedures described in the Resolutions in the aggregate principal amount of the Series 2009 Bonds then outstanding, registered in the name of such successor or such substitute depository, all as specified in such written request. In the case of any transfer pursuant to the resignation or removal of DTC or its successor (or any substitute depository), upon receipt of the Principal Strip Certificates and Tax Credit Certificates, as applicable, related to outstanding Series 2009 Bonds by the Trustee together with a written request, new Principal Strip Certificates and Tax Credit Certificates, as applicable, related to such Series 2009 Bonds will be executed and delivered in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested in such written request, and thereafter, the Principal Strip Certificates and Tax Credit Certificates related to such Series 2009 Bond will be transferred pursuant to the provisions of the Resolutions provided, that the Trustee will not be required to deliver such new Principal Strip Certificates and Tax Credit Certificates, as applicable, related to such Series 2009 Bonds within a period of fewer than sixty (60) days.

So long as the Series 2009 Bonds, Principal Strip Certificates and Tax Credit Certificates, as applicable, are registered in the name of Cede & Co. or its registered assigns, the Authority and the Paying Agent will cooperate with Cede & Co., as sole holder, or its registered assigns, in effecting payment of the redemption price, if any, of the Principal Strip Certificates and Tax Credit Certificates, as applicable, by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available (e.g., by wire transfer) on the date they are due. So long as the Tax Credit Certificates are registered in the name of Cede & Co. or its registered assigns, the Trustee will provide notice to DTC of the expiration of each Tax Credit Certificate not less than forty-five (45) days prior to the Tax Credit Allowance Date for such Tax Credit Certificate.

### **Redemption of the Series 2009 Bonds**

***No Optional or Mandatory Sinking Fund Redemption.*** The Series 2009 Bonds are not subject to optional or mandatory sinking fund redemption prior to their stated maturity.

***Extraordinary Mandatory Redemption.*** The Series 2009 Bonds, unless previously converted to Interest Bearing Bonds, are subject to extraordinary mandatory redemption, in whole or in part, on December 15, 2012, or, in the event of an extension negotiated with the IRS, on a Tax Credit Allowance Date that occurs between December 16, 2012 and December 15, 2014, in authorized denominations, at a redemption price equal to 100% of the principal amount of the Series 2009 Bonds called for redemption, in an amount equal to the unexpended Available Project Proceeds (as defined below), of the sale of the Series 2009 Bonds held by the Authority, but only to the extent that the Authority fails to expend all of such Available Project Proceeds within three years of issuance thereof and no extension of the period for expenditure has been granted by the IRS. “Available Project Proceeds” means the sum of (i) the excess of the proceeds of sale of the Series 2009 Bonds, over costs of issuance paid for out of such proceeds (to the extent such costs do not exceed 2 percent of such proceeds), and (ii) any investment earnings on such excess.

**If any of the Series 2009 Bonds are called for extraordinary mandatory redemption, the associated Tax Credits will expire on the date the associated Series 2009 Bonds are so redeemed.**

In the event that the ownership of the Principal Component and the Tax Credit Component have been separated from the ownership of the Series 2009 Bonds and registered separately, the Principal Strip

Certificates and the Tax Credit Certificates will be called for redemption in the same manner as the Series 2009 Bonds and the redemption price therefor will be allocated to the Principal Strip Certificates and the Tax Credit Certificates in the proportions and values set forth in APPENDIX E – “TABLE OF ALLOCATION OF REDEMPTION VALUES” attached hereto.

Pursuant to the Resolutions, the Authority has covenanted to provide notice of the final expenditure of the proceeds of the Series 2009 Bonds by filing notice thereof with the MSRB in the same manner as described for Notices under “PART 18 – CONTINUING DISCLOSURE”.

***Selection of Series 2009 Bonds for Redemption.*** Redemption of the Series 2009 Bonds will be effected in \$40,000 increments, so that any Series 2009 Bond redeemed in part will have a remaining notional amount of \$40,000 or an integral multiple thereof. The Trustee will effect each redemption of the Series 2009 Bonds by redeeming *pro rata* from each person who is the Owner of a Series 2009 Bond to be redeemed on a redemption date, an amount of such Series 2009 Bonds determined by multiplying the principal amount of the Series 2009 Bonds to be redeemed on said redemption date by a fraction, the numerator of which is the principal amount of the Series 2009 Bonds owned by such Owner and the denominator of which is the principal amount of all the Series 2009 Bonds outstanding immediately prior to the date of redemption, and then rounding the product down to the next lower integral multiple of \$40,000. The Trustee will apply, to the extent possible, any remaining amount of proceeds to redeem such Series 2009 Bonds in Authorized Denominations and will select, by lot, the units to be redeemed from all such Owners, which selection will be conclusive. The Principal Strip Certificates and the Tax Credit Certificates related to the Series 2009 Bonds called for redemption will also be called for redemption.

In the event of a mandatory redemption of Series 2009 Bonds from unexpended bond proceeds and in the event that Series 2009 Bonds have been exchanged for Principal Strip Certificates and Tax Credit Certificates (in whole or in part) and registered separately pursuant to the Resolutions, the amount of unexpended bond proceeds shall be allocated, as nearly as reasonably possible, *pro rata* between (i) Series 2009 Bonds and (ii) an amount of (a) Principal Strip Certificates and (b) Tax Credit Certificates that would relate to such principal amount of Principal Strip Certificates, based upon the relative principal amounts of the outstanding Series 2009 Bonds and the outstanding Principal Strip Certificates. Any Principal Strip Certificates and Tax Credit Certificates to be so redeemed shall also be called for redemption on the same terms and conditions and in the same manner as the Series 2009 Bonds, and the price for redemption to be paid by the Authority and used to redeem Principal Strip Certificates and Tax Credit Certificates so redeemed shall be allocated to the Series 2009 Bonds, Principal Strip Certificates and the Tax Credit Certificates in the proportions and values set forth in the APPENDIX E – “TABLE OF ALLOCATION OF REDEMPTION VALUES” attached hereto.

***Notice of Redemption.*** Notice of redemption of any Series 2009 Bond or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, will be given by the Trustee. Notice of any redemption of Series 2009 Bonds or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, will be mailed postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners thereof at the addresses appearing on the registration books and (ii) as may be further required in accordance with the Master Continuing Disclosure Agreement. See “PART 18—CONTINUING DISCLOSURE” herein.

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2009 Bonds or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, and the date of issue of the Series 2009 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Series 2009 Bonds or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, to be redeemed; (vi) if less than all of the Series 2009 Bonds or, if stripped,

related Principal Strip Certificate and Tax Credit Certificate, of any maturity are to be redeemed, the distinctive numbers of the Series 2009 Bonds of each maturity to be redeemed; (vii) if the Series 2009 Bonds have been stripped in accordance with the Resolutions, the CUSIP number, if any, of each Principal Strip Certificate and Tax Credit Certificate; (viii) in the case of Series 2009 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2009 Bonds of each maturity to be redeemed; (ix) the CUSIP number, if any, of each maturity of Series 2009 Bonds to be redeemed; and (x) a statement that such Series 2009 Bonds or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, must be surrendered by the Owners at the principal corporate trust office of the Trustee, or at such other place or places designated by the Trustee. The actual receipt by the Owner of any Series 2009 Bond, or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, or by any securities depository or information service of notice of redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Series 2009 Bonds or, if stripped, related Principal Strip Certificate and Tax Credit Certificate.

***Effect of Redemption.*** When notice of redemption has been given and when the redemption price of the Series 2009 Bonds or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, called for redemption is set aside for such purpose, the Series 2009 Bonds, or, if stripped, Principal Strip Certificate and Tax Credit Certificate, designated for redemption will become due and payable on the specified redemption date.

The Authority may rescind any redemption and notice thereof for any reason on any date prior to or on the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Series 2009 Bonds or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, so called for redemption. Notice of rescission of redemption will be given as promptly as practicable and in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2009 Bond or, if stripped, related Principal Strip Certificate and Tax Credit Certificate, of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

### **Conversion of Series 2009 Bonds into Interest Bearing Bonds**

***General.*** The Resolutions provide that, on the Tax Credit Conversion Date, the Series 2009 Bonds will be converted, in whole or in part, into Interest Bearing Bonds which, bear interest at the Tax Credit Rate, payable on each Cash Interest Payment Date, commencing on the March 15, June 15, September 15 or December 15 immediately following the Tax Credit Conversion Date, in lieu of providing the owner thereof credits against federal income tax liability. Upon any such conversion, each Interest Bearing Bond so converted would bear interest from the Cash Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated during the period after the Record Date immediately preceding any Cash Interest Payment Date to and including such Cash Interest Payment Date, in which event it will bear interest from such Cash Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Cash Interest Payment Date, in which event it will bear interest from the Tax Credit Conversion Date. Such interest would be computed on the basis of a 360-day year of twelve 30-day months.

If Series 2009 Bonds are converted, in whole or in part, into Interest Bearing Bonds, the Resolutions provide that (i) such Series 2009 Bonds, any Principal Strip Certificates relating thereto and any related Tax Credit Certificates representing Tax Credits for Tax Credit Allowance Dates occurring after the Tax Credit Conversion Date shall, on the Tax Credit Conversion Date or as soon thereafter as practical, be exchanged by the Owner thereof for Interest Bearing Bonds, Principal Strip Certificates relating to the Interest Bearing Bonds and Cash Interest Certificates without the need for any further

action or proceeding by the Authority, (ii) such Interest Bearing Bonds, related Principal Strip Certificates and Cash Interest Certificates shall, from the Tax Credit Conversion Date until maturity, be Interest Bearing Bonds, related Principal Strip Certificates and Cash Interest Certificates, respectively, for all purposes of the Resolutions, and (iii) if the Series 2009 Bonds that have been converted to Interest Bearing Bonds have not already ceased to be “qualified school construction bonds” under Section 54F of the Code as a result of a Determination of Loss of Qualified School Construction Bond Status, such Series 2009 Bonds, from and after the Tax Credit Conversion Date, shall cease to be “qualified school construction bonds” under Section 54F of the Code. The Resolutions provide that, if Series 2009 Bonds are converted, in whole or in part, into Interest Bearing Bonds, any Series 2009 Bonds related thereto, Principal Strip Certificates related thereto or Tax Credit Certificates related thereto not exchanged for Interest Bearing Bonds, Principal Strip Certificates related thereto and Cash Interest Certificates by the Owners thereof shall be deemed to be so exchanged.

Upon a conversion, in whole or in part, of Series 2009 Bonds into Interest Bearing Bonds in accordance with the Resolutions, the Trustee will send a written notice to the Owners of such Series 2009 Bonds, Principal Strip Certificates and Tax Credit Certificates, stating that (i) as of the Tax Credit Conversion Date, the related Series 2009 Bonds have been or shall be converted into Interest Bearing Bonds, and (ii) such Owners are required to deliver, on the Tax Credit Conversion Date or as soon thereafter as practical, their Series 2009 Bonds, any Principal Strip Certificates relating thereto and Tax Credit Certificates (for Tax Credit Allowance Dates occurring after the Tax Credit Conversion Date) to the Trustee in exchange for an Interest Bearing Bond or Bonds, Principal Strip Certificates relating to the Interest Bearing Bonds and Cash Interest Certificates in Authorized Denominations in the same respective face amount as such Series 2009 Bonds, any Principal Strip Certificates relating to such Series 2009 Bonds and Tax Credit Certificates so delivered by such Owners. Upon the conversion, in whole or in part, of Series 2009 Bonds into Interest Bearing Bonds, Principal Strip Certificates relating to Series 2009 Bonds into Principal Strip Certificates relating to Interest Bearing Bonds and Tax Credit Certificates, if any, into Cash Interest Certificates, the Trustee shall exchange, Principal Strip Certificates relating to the Series 2009 Bonds and Tax Credit Certificates, if any, entitled thereto, for fully registered Interest Bearing Bonds, Principal Strip Certificates relating to such Interest Bearing Bonds and Cash Interest Certificates in substantially the forms authorized in the Resolutions.

In addition, in the event that any Tax Credits with respect to Tax Credit Allowance Dates occurring on or prior to the Tax Credit Conversion Date are determined to be ineligible as Tax Credits as a result of the Determination of Loss of Qualified School Construction Bond Status, the Authority will pay to the Owners (as of the applicable Tax Credit Allowance Dates for such disallowed Tax Credits) of the Series 2009 Bonds or Tax Credit Certificates, as appropriate, an amount equal to the amount of such disallowed Tax Credits, plus interest thereon from the applicable Tax Credit Allowance Date to the date of payment, compounded quarterly at the rates equal to the large corporate underpayment rates determined from time to time by the IRS during such interest compounding period to be paid on or before the next succeeding March 15, June 15, September 15 or December 15 after the Date of Determination of Loss of Qualified School Construction Bond Status.

***Certain Defined Terms.*** The term “Date of Determination of Loss of Qualified School Construction Bond Status” is defined in the Resolutions to mean the date on which the IRS or a court of competent jurisdiction has issued to the Authority a Determination of Loss of Qualified School Construction Bond Status.

The term “Determination of Loss of Qualified School Construction Bond Status” is defined in the Resolutions to mean (i) a final determination by the IRS (after the Authority has exhausted or waived all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction



Bond Status and the amount of Series 2009 Bonds that are subject to the Accountable Event of Loss of Qualified School Construction Bond Status, or (ii) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status.

The term “Accountable Event of Loss of Qualified School Construction Bond Status” is defined in the Resolutions to mean (i) any act or any failure to act on the part of (A) a school district constituting a breach by it of a covenant or agreement contained in its Grant Disbursement Agreement, or (B) the Authority constituting a breach by it of a covenant or agreement contained in the Resolutions or the tax certificate of the Authority to be executed on the date of delivery of the Series 2009 Bonds (the “Tax Certificate”), in either case which causes the Series 2009 Bonds to lose their status, or fail to qualify, as “qualified school construction bonds” within the meaning of Section 54F of the Code, or (ii) the making of a representation (A) by a school district in its Grant Disbursement Agreement, or (B) by the Authority in the Resolutions or the Tax Certificate of the Authority, as applicable, which was untrue when made and the untruth of which representation at such time causes the Series 2009 Bonds to lose their status, or fail to qualify, as “qualified school construction bonds” within the meaning of Section 54F of the Code.

The term “Date of Loss of Qualified School Construction Bond Status” is defined in the Resolutions to mean the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Series 2009 Bonds lost their status, or failed to qualify, as “qualified school construction bonds” as defined in Section 54F of the Code as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of initial issuance and delivery of the Series 2009 Bonds.

The term “Tax Credit Conversion Date” is defined in the Resolutions to mean (i) the immediately preceding Tax Credit Allowance Date after the Date of Determination of Loss of Qualified School Construction Bond Status, or (ii) after the receipt of the Trustee of a written notice from the Authority of its election to convert, in whole or in part, the Series 2009 Bonds to Interest Bearing Bonds as provided in the Resolutions in connection with the defeasance of the Series 2009 Bonds, the March 15, June 15, September 15 or December 15 immediately preceding the date the Series 2009 Bonds are defeased. See “– Defeasance” below.

***Separation of Principal Component and Cash Interest Payment Component.*** The Interest Bearing Bonds, if any, will include a Principal Component and a Cash Interest Payment Component relating to the Cash Interest Payments, and, at the option of an Owner of an Interest Bearing Bond, the ownership of the Principal Component and the Cash Interest Payment Component may be separated or “stripped” from such Interest Bearing Bond. The Resolutions provide that, at any time, by written request to the Trustee in the form attached thereto (the “Cash Interest Strip Request”), the Owner of an Interest Bearing Bond may, upon presentation of such Interest Bearing Bond, direct the Trustee to authenticate and deliver a Principal Strip Certificate in a principal amount equal to the principal amount of the Interest Bearing Bonds to be so separated and Cash Interest Certificates representing the entitlement to the Cash Interest Payment Component with respect to such Interest Bearing Bonds to be converted. The form of the Cash Interest Strip Request may be modified or amended by the Trustee with the prior written consent of the Authority.

Upon the receipt of a request and the presentation of an Interest Bearing Bond to be stripped pursuant to the Resolutions, the Trustee will (i) authenticate and deliver to or upon the order of the Owner so requesting, a Principal Strip Certificate in a principal amount equal to the principal amount of the related Interest Bearing Bond so presented and (ii) authenticate and deliver to or upon the order of the Owner so requesting, Cash Interest Certificates for each remaining Cash Interest Payment Date in

accordance with the Resolutions, in an amount equal to twenty five percent (25%) of the product of (A) the principal amount of the related Interest Bearing Bond so presented and (b) the Tax Credit Rate.

The Resolutions provide that, notwithstanding the separation, if any, of the ownership of the Principal Component of an Interest Bearing Bond from the entitlement of the Owner thereof to the related Cash Interest Payment Component, the previously combined Interest Bearing Bond will remain outstanding and the ownership of Principal Strip Certificates evidencing the rights to the related Principal Components and the ownership of the Cash Interest Certificates evidencing the rights to such Cash Interest Payments related thereto will constitute such outstanding Interest Bearing Bond.

***Recombining of Principal Component and Cash Interest Payment Component.*** The Owner of a Principal Strip Certificate and the requisite number of Cash Interest Certificates may recombine such Principal Strip Certificate and Cash Interest Certificates into unstripped Interest Bearing Bonds. The Resolutions provide that, at any time, by written request to the Trustee in the form attached thereto (the “Cash Interest Recombination Request”), the Owner of a Principal Strip Certificate and sufficient Cash Interest Certificates having payment dates corresponding to each and every Cash Interest Payment Date that would remain with respect to an Interest Bearing Bond, and having a face amount with respect to each such Cash Interest Payment Date equal to the amount of the Cash Interest Payment Component that would be paid on an Interest Bearing Bond with a principal amount equal to the Principal Strip Certificates to be recombined, may, upon presentation of such Principal Strip Certificates and Cash Interest Certificates, direct the Trustee to authenticate and deliver an Interest Bearing Bond in a principal amount equal to the principal amount of the Principal Strip Certificate to be so converted. The form of the Cash Interest Recombination Request may be modified or amended by the Trustee with the prior written consent of the Authority. Upon the receipt of a request and the presentation of the Principal Strip Certificate and Cash Interest Certificates to be recombined, the Trustee is required under the Resolutions to authenticate and deliver an unstripped Interest Bearing Bond in a principal amount equal to the face amount of the Principal Strip Certificates to be so converted, and reduce, by the amount so converted, the separate Principal Strip Certificates and Cash Interest Certificates.

***Form and Registration.*** The Interest Bearing Bonds, if any, will be delivered in book-entry form only and will be registered in the name of Cede & Co., as nominee for DTC. The Interest Bearing Bonds, if any, will be delivered in denominations of \$5,000 or any integral multiple thereof; provided, however, that, if separated, Principal Strip Certificates will be executed and delivered in denominations of \$40,000 principal amount or integral multiples thereof and Cash Interest Certificates will be executed and delivered in denominations of an amount equal to twenty five percent (25%) of the product of (A) \$40,000 and (B) the Tax Credit Rate applicable to the Series 2009 Bonds set forth on the front inside cover page hereof or any integral multiple thereof.

### **Consent Rights; Rights Upon an Event of Default and Defeasance**

The Resolutions provide that, for purposes of obtaining consents, directing remedies or allocating monies following an Event of Default, if the Series 2009 Bonds have been separated into Principal Strip Certificates and Tax Credit Certificates or Cash Interest Certificates, the holder of each such Certificate will be deemed to own a “principal amount” of Series 2009 Bonds equal to the Redemption Value of such Certificate shown on “APPENDIX E – TABLE OF ALLOCATION OF REDEMPTION VALUES” as of the day the date such consent or direction is given or such allocation made or such other date as set forth in the Resolutions.

## **Defeasance**

The Authority will not cause all or a portion of the Series 2009 Bonds to be defeased and deemed paid as described under “APPENDIX B –SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Defeasance” unless the Authority shall have either (i) obtained a ruling or other official pronouncement from the IRS to the effect that such defeasance of the Series 2009 Bonds will not cause a loss of the associated tax credits, or (ii) converted the Series 2009 Bonds into Interest Bearing Bonds in connection with such defeasance of the Series 2009 Bonds as provided in the Resolutions. See “–Conversion of Series 2009 Bonds into Interest Bearing Bonds” above. Any defeasance in connection with a conversion pursuant to clause (ii) of the preceding sentence must occur at least forty-five (45) days prior to the March 15, June 15, September 15 or December 15 immediately following such defeasance. See “PART 12—TAX MATTERS–Defeasance of Series 2009 Bonds” herein.

## **PART 6—THE PROJECTS**

The Series 2009 Bonds are being issued for the purposes of funding grants under the EXCEL program. Grants under the EXCEL program finance capital works or purposes for school districts which fall into one of the following categories: (i) projects designed to enhance the use of technology; (ii) health and safety improvement projects; (iii) expansion and new construction projects intended to increase the availability of instructional space and reduce class size; (iv) projects designed to enhance accessibility of school facilities for individuals with disabilities; and (v) energy conservation projects.

Additionally, all or a portion of the cost of issuance of the Series 2009 Bonds will be financed with the proceeds thereof. **The Series 2009 Bonds are not secured by the Projects or any interest therein.**

## **PART 7—BOOK-ENTRY ONLY SYSTEM**

Beneficial ownership interests in the Authority’s bonds and notes will be available in book-entry only form. Purchasers of beneficial ownership interests in the Authority’s bonds and notes will not receive certificates representing their interests in the securities purchased. Purchasers may hold beneficial interests in the Series 2009 Bonds in the United States through DTC.

### **Book-Entry Only System**

The following information concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2009 Bonds and, if such Series 2009 Bonds are stripped, the Principal Strip Certificates (the “Principal Strip Certificates”) and the Tax Credit Certificates (the “Tax Credit Certificates”). DTC will act as securities depository for the Series 2009 Bonds if such Series 2009 Bonds are converted to Interest Bearing Bonds (the “Interest Bearing Bonds”) and, if such Interest Bearing Bonds are stripped, the Principal Strip Certificates and the Cash Interest Certificates (the “Cash Interest Certificates”). The Series 2009 Bonds and Interest Bearing Bonds, Principal Strip Certificates and Cash Interest Certificates, if any, will be executed and delivered 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 bond certificate will be issued for each maturity of the Series 2009 Bonds in the principal amount of such maturity, and will be deposited with DTC.

DTC 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”). The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds or Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable, on DTC’s records. The ownership interest of each actual purchaser of each Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable, (“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 2009 Bonds and, if stripped, the Tax Credit Certificates 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 the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable, except in the event that use of the book-entry system for the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable, is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable, 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 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable 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 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable are

credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable may wish to ascertain that the nominee holding the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable called for redemption or of any other action premised on such notice. Redemption of portions of the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable by the Authority will reduce the outstanding principal amount of Series 2009 Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable for the Beneficial Owners.

If less than all of the Series 2009 Bonds within an issue are being redeemed, redemption of the Series 2009 Bonds will be effected in \$40,000 increments, so that any Series 2009 Bond redeemed in part will have a remaining notional amount of \$40,000 or an integral multiple thereof. The Trustee will effect each redemption of the Series 2009 Bonds by redeeming *pro rata* from each person who is the Owner of a Series 2009 Bond to be redeemed on a redemption date, an amount of such Series 2009 Bonds determined by multiplying the principal amount of the Series 2009 Bonds to be redeemed on said redemption date by a fraction, the numerator of which is the principal amount of the Series 2009 Bonds owned by such Owner and the denominator of which is the principal amount of all the Series 2009 Bonds outstanding immediately prior to the date.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, and interest, if any, on the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates and Cash Interest Certificates, if any, as applicable will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on 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 (nor its nominee) nor the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, and interest, if any, on the Series 2009 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS CAN NOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, AND INTEREST, IF ANY, ON THE SERIES 2009 BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS ARE RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE SERIES 2009 BONDS, INTEREST BEARING BONDS, PRINCIPAL STRIP CERTIFICATES, TAX CREDIT CERTIFICATES AND CASH INTEREST CERTIFICATES, IF ANY, AS APPLICABLE OR AN ERROR OR DELAY RELATING THERETO.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009 Bond, Interest Bearing Bond, Principal Strip Certificate, Tax Credit Certificate and Cash Interest Certificate, if any, as applicable, certificates will be printed and delivered.

DTC may discontinue providing its services as depository with respect to the Series 2009 Bonds, Interest Bearing Bonds, Principal Strip Certificates, Tax Credit Certificates and Cash Interest Certificates, if any, as applicable, at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2009 Bond, Interest Bearing Bond, Principal Strip Certificate, Tax Credit Certificate and Cash Interest Certificate, if any, as applicable, certificates are required to be printed and delivered.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND NEITHER THE AUTHORITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATIONS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

In the event that the book entry system is discontinued as described above, the requirements of the Resolutions will apply.

DTC assumes no responsibility for the processing of Tax Credits, whether or not stripped, by the Beneficial Owners thereof, nor will it play any role in the process by which a Beneficial Owner might claim all or a ratable share of a Tax Credit against its federal income tax liability arising while the Series 2009 Bonds are outstanding. Beneficial Owners shall have the sole responsibility for claiming Tax Credits and resolving any impact that ownership of the Tax Credits may have upon their federal income tax or state income tax liability as a consequence of ownership thereof.

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## PART 8—DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2009 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

12-Month Period Ending March 31	Series 2009 Bonds <sup>(*)</sup>			Other Outstanding NYS Personal Income Tax Revenue Bonds	Aggregate Debt Service <sup>(1)(2)(3)</sup>
	Principal Payments	Interest Payments	Total Debt Service	Debt Service <sup>(1)(2)(3)</sup>	Service <sup>(1)(2)(3)</sup>
2010	\$ 1,200,000	\$ 7,833,867	\$ 9,033,867	\$1,469,689,512	\$ 1,478,723,379
2011	10,295,000	19,431,601	29,726,601	1,521,399,593	1,551,126,194
2012	3,060,000	19,139,101	22,199,101	1,488,744,209	1,510,943,310
2013	6,980,000	19,056,226	26,036,226	1,444,360,395	1,470,396,621
2014	7,320,000	18,718,476	26,038,476	1,382,640,476	1,408,678,952
2015	7,585,000	18,377,326	25,962,326	1,335,282,674	1,361,245,000
2016	1,820,000	17,999,276	19,819,276	1,280,314,810	1,300,134,086
2017	10,745,000	17,924,976	28,669,976	1,256,013,089	1,284,683,065
2018	12,870,000	17,387,726	30,257,726	1,208,190,286	1,238,448,012
2019	9,220,000	16,744,226	25,964,226	1,151,852,037	1,177,816,263
2020	9,765,000	16,290,326	26,055,326	1,095,879,460	1,121,934,786
2021	10,250,000	15,805,076	26,055,076	1,077,031,915	1,103,086,991
2022	11,810,000	15,292,576	27,102,576	1,074,256,001	1,101,358,577
2023	12,170,000	14,734,789	26,904,789	1,042,756,531	1,069,661,320
2024	12,545,000	14,160,000	26,705,000	983,921,122	1,010,626,122
2025	12,920,000	13,567,500	26,487,500	945,539,050	972,026,550
2026	71,940,000	12,866,332	84,806,332	913,649,490	998,455,822
2027	13,850,000	12,140,199	25,990,199	863,735,154	889,725,353
2028	14,340,000	11,388,560	25,728,560	763,887,171	789,615,731
2029	14,850,000	10,610,328	25,460,328	632,736,764	658,197,092
2030	15,375,000	9,804,418	25,179,418	524,892,287	550,071,705
2031	15,920,000	8,970,017	24,890,017	524,167,307	549,057,324
2032	16,480,000	8,106,039	24,586,039	521,298,323	545,884,362
2033	17,065,000	7,211,669	24,276,669	480,897,372	505,174,041
2034	17,665,000	6,285,551	23,950,551	440,137,989	464,088,540
2035	18,290,000	5,326,872	23,616,872	410,526,545	434,143,417
2036	18,940,000	4,334,274	23,274,274	342,956,530	366,230,804
2037	19,605,000	3,306,400	22,911,400	233,809,682	256,721,082
2038	20,300,000	2,242,436	22,542,436	167,726,766	190,269,202
2039	21,020,000	1,140,755	22,160,755	82,818,525	104,979,280
Total <sup>(3)</sup>	\$436,195,000	\$366,196,915	\$802,391,915	\$26,661,111,065	\$27,463,502,980

(\*) Assumes the Series 2009 Bonds are not converted to Interest Bearing Bonds and includes debt service on the \$377,635,000 million of State Personal Income Tax Bonds (General Purpose) sold on the same day as the Series 2009 Bonds.

(1) Interest on \$303,935,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on \$74,615,000 principal amount of outstanding taxable State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.

(2) The information set forth under the column captioned "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" reflects debt service on outstanding State Personal Income Tax Revenue Bonds and on State Personal Income Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Bonds from time to time and to the extent that such other State Personal Income Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.

(3) Totals may not add due to rounding.



**PART 9—ESTIMATED SOURCES AND USES OF FUNDS**

**Series 2009 Bonds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2009 Bonds:

Sources of Funds	
Principal amount of Series 2009 Bonds .....	\$58,560,000
Original Issue Discount .....	<u>(7,975,872)</u>
Total Sources .....	<u>\$50,584,128</u>
Uses of Funds	
Deposit to Bond Proceeds Fund .....	\$50,000,000
Costs of Issuance .....	100,381
Underwriters' Discount .....	<u>483,747</u>
Total Uses .....	<u>\$50,584,128</u>

**PART 10—THE AUTHORITY**

**Background, Purposes and Powers**

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

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

to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

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

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

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

At September 30, 2009, the Authority had approximately \$40.5 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at September 30, 2009 were as follows:

<b><u>Public Programs</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Bonds Outstanding</u></b>	<b><u>Notes Outstanding</u></b>	<b><u>Bonds and Notes Outstanding</u></b>
State University of New York Dormitory Facilities.....	\$ 2,250,196,000	\$ 943,590,000	\$ 0	\$ 943,590,000
State University of New York Educational and Athletic Facilities.....	13,243,272,999	5,698,118,149	0	5,698,118,149
Upstate Community Colleges of the State University of New York.....	1,590,645,000	666,520,000	0	666,520,000
Senior Colleges of the City University of New York.....	9,935,931,762	3,040,924,213	0	3,040,924,213
Community Colleges of the City University of New York.....	2,394,073,350	494,235,787	0	494,235,787
BOCES and School Districts.....	2,436,626,208	1,896,100,000	0	1,896,100,000
Judicial Facilities.....	2,161,277,717	724,132,717	0	724,132,717
New York State Departments of Health and Education and Other.....	5,808,800,000	4,100,145,000	0	4,100,145,000
Mental Health Services Facilities.....	7,460,120,000	4,063,400,000	0	4,063,400,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	<u>985,555,000</u>	<u>781,415,000</u>	<u>0</u>	<u>781,415,000</u>
Totals Public Programs.....	<u>\$ 49,039,973,036</u>	<u>\$ 22,408,580,866</u>	<u>\$ 0</u>	<u>\$ 22,408,580,866</u>

<b><u>Non-Public Programs</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Bonds Outstanding</u></b>	<b><u>Notes Outstanding</u></b>	<b><u>Bonds and Notes Outstanding</u></b>
Independent Colleges, Universities and Other Institutions.....	\$ 17,954,180,260	\$ 8,987,987,488	\$ 35,975,000	\$ 9,023,962,488
Voluntary Non-Profit Hospitals.....	13,963,224,309	8,100,385,000	0	8,100,385,000
Facilities for the Aged.....	1,996,020,000	925,580,000	0	925,580,000
Supplemental Higher Education Loan Financing Program.....	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals Non-Public Programs.....	<u>\$ 34,008,424,569</u>	<u>\$ 18,013,952,488</u>	<u>\$ 35,975,000</u>	<u>\$ 18,049,927,488</u>
Grand Totals Bonds and Notes.....	<u>\$ 83,048,397,605</u>	<u>\$ 40,422,533,354</u>	<u>\$ 35,975,000</u>	<u>\$ 40,458,508,354</u>

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

### **Outstanding Indebtedness of the Agency Assumed by the Authority**

At September 30, 2009, the Agency had approximately \$344.0 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The

debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency’s bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at September 30, 2009 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 3,255,000
Insured Mortgage Programs .....	6,625,079,927	333,035,000
Revenue Bonds, Secured Loan and Other Programs.....	<u>2,414,240,000</u>	<u>7,670,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 343,960,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 343,960,000</u>

**Governance**

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

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for

Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2010.

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

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

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

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

Brian Ruder, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority by the Governor on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of

Marketing, New Products and Sales for Pepsi USA in the mid-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expired on March 31, 2009 and by law he continues to serve until a successor shall be chosen and qualified.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

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

Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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

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

DAVID STEINER, Ph.D., Commissioner of Education of the State of New York, Albany; ex-officio.

David Steiner, Ph.D., became Commissioner of Education on October 1, 2009.

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

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

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

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

The principal staff of the Authority is as follows:

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

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

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

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



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

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

### **Claims and Litigation**

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

### **Other Matters**

#### *New York State Public Authorities Control Board*

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2009 Bonds.

#### *Legislation*

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

### *Environmental Quality Review*

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

### *Independent Auditors*

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

## **PART 11—AGREEMENT OF THE STATE**

The Authority Act provides that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to, among other things, fulfill the terms of any agreements made with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and 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 and bonds are fully met and discharged. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

## **PART 12—TAX MATTERS**

**Any discussion of United States federal tax issues in this Official Statement relating to the Series 2009 Bonds was written in connection with the promotion and marketing (within the meaning of United States Treasury Department Circular 230) of the transactions described in this Official Statement and was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding United States federal income tax penalties that may be imposed on such taxpayer. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.**

### **General**

The following is a summary of the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the Series 2009 Bonds and of the separation of the Principal Component and the Tax Credit Component of the Series 2009 Bonds. This discussion is based upon current law and does not purport to be a complete analysis of all the potential tax consequences of such purchase, ownership, disposition and separation. The laws are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances, or to certain types of investors subject to special treatment under the U.S. federal income tax laws (including persons whose functional currency is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, life insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, banks, tax-exempt organizations or persons holding Series 2009 Bonds in a tax-deferred or tax-advantaged account, traders in securities that elect to use a mark-to-market method of

accounting for securities holdings, persons who hold Series 2009 Bonds as part of a hedging, straddle, integrated, conversion or constructive sale transaction, or persons who have ceased to be U.S. citizens or to be taxed as resident aliens), and, except as expressly provided, does not discuss any aspect of state, local or foreign tax laws. This discussion applies only to Owners of Series 2009 Bonds who purchase their Series 2009 Bonds in the original offering at the original offering price, and who hold their Series 2009 Bonds as capital assets. This discussion does not address any tax consequences applicable to a holder of an equity interest in an Owner of Series 2009 Bonds. In particular, this discussion does not address any tax consequences applicable to a partner in a partnership holding Series 2009 Bonds. If a partnership holds Series 2009 Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Thus, a person who is a partner in a partnership holding Series 2009 Bonds should consult his or her own tax advisor.

## **Tax Opinion**

### *Federal Tax Matters*

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority (“Bond Counsel”), under existing statutes, regulations, administrative rulings and court decisions, and assuming the accuracy of certain representations and compliance with certain covenants described in the immediately succeeding paragraph, the Series 2009 Bonds are “qualified school construction bonds” within the meaning of Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”). Owners of the Series 2009 Bonds (or in the case of Series 2009 Bonds for which the ownership of the Tax Credit Component has been separated, the Owners of the Tax Credit Certificates), as of each Tax Credit Allowance Date, will be entitled, subject to the limitations of Section 54A of the Code, to a federal income tax credit (referred to herein as the “Tax Credit”) for the taxable year in which such Tax Credit Allowance Date occurs. The amount of the Tax Credit will be treated as interest for federal tax purposes and will be included in the gross income of the recipients thereof.

The Code establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2009 Bonds in order for such bonds to be treated as “qualified school construction bonds” within the meaning of Section 54F of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the Series 2009 Bonds to not be treated as qualified school construction bonds and to cause the Owners of the Series 2009 Bonds to not be allowed the Tax Credits associated therewith, retroactive to the date of issuance of the Series 2009 Bonds, irrespective of the date on which such noncompliance occurs. The Resolutions, a certificate from the State Education Department delivered the date of issuance of the Series 2009 Bonds (the “SED Tax Certificate”) and the Authority’s Tax Certificate delivered at the time of delivery of the Series 2009 Bonds (the “Authority’s Tax Certificate”) contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code. In rendering the above-described opinions, Bond Counsel will assume the accuracy of such factual certifications and continuing compliance by the Authority and the State with such covenants, representations, and warranties set forth in the Resolutions, the SED Tax Certificate and the Authority’s Tax Certificate.

Bond Counsel notes that regulations have not been promulgated under Section 54A(i) of the Code with respect to the separation of the ownership of any portion of a “qualified school construction bond” and the entitlement of the federal income tax credit provided by Section 54A of the Code. Such regulations and other official guidance, if and when issued, may impose additional requirements and may

be applicable, prospectively or retroactively, to an Owner's claim for allowance of a credit under Section 54A of the Code.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to or the receipt of the Tax Credits or the accrual or receipt of deemed interest on the Series 2009 Bonds.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2009 Bonds should be aware that the receipt of the Tax Credit or the accrual or receipt of deemed interest on the Series 2009 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Series 2009 Bonds should consult with their tax advisors in order to understand the implications of the Code as to these and other federal and state tax consequences, as well as any local tax consequences, of purchasing or holding the Series 2009 Bonds.

#### *State and Local Income Tax Matters*

Bond Counsel expresses no opinion regarding the treatment for State income tax purposes of the Tax Credit afforded to an Owner of the Series 2009 Bonds or any other state or local tax consequences related to the ownership or disposition of the Series 2009 Bonds. Each purchaser of Series 2009 Bonds should consult his or her own tax advisor regarding this issue.

Bond Counsel expresses no opinion, however, regarding the tax treatment of the Series 2009 Bonds or the Tax Credit afforded to an Owner of the Series 2009 Bonds under other state or local jurisdictions. Each purchaser of Series 2009 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2009 Bonds and the tax treatment of the Tax Credit in a particular state or local jurisdiction other than the State of New York.

#### *Other Considerations*

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2009 Bonds may adversely affect the value of, or the availability of the Tax Credits with respect to, the Series 2009 Bonds.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009 Bonds for federal income tax purposes. The legal authorities setting forth and interpreting sections 54A and 54F of the Code are new and, in many areas, incomplete. No ruling has been sought from the IRS with respect to the matters addressed in the opinion of Bond Counsel, and the opinion of Bond Counsel is not binding on the Internal Revenue Service ("IRS") or the courts.

Certain requirements and procedures contained or referred to in the Resolutions, the SED Tax Certificate, the Authority's Tax Certificate and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any federal, state or local tax consequences with respect to the Series 2009 Bonds or Tax Credits if any such change occurs or action is taken or omitted upon the advice or approval of a bond counsel other than Harris Beach PLLC.

No assurance can be given that any future legislation, including amendments to the Code or the State income tax laws, regulations, administrative rulings, or court decisions, will not cause the Series 2009 Bonds to no longer constitute qualified school construction bonds or otherwise prevent Owners from realizing the full current anticipated tax benefit from owning such bonds. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decisions or action of the Internal Revenue Service, including but not limited to the promulgation of a regulation or ruling, or the selection of the Series 2009 Bonds for audit examination or the course or result of any Internal Revenue Service examination of the Series 2009 Bonds or obligations which present similar tax issues, will not affect the market price or marketability of the Series 2009 Bonds. Prospective purchasers of the Series 2009 Bonds should consult their own tax advisors regarding the foregoing matters.

See “APPENDIX D – PROPOSED FORM OF BOND COUNSEL OPINION”.

### **Amount of Tax Credit on each Tax Credit Allowance Date**

A Tax Credit is allowed, subject to the limitations of Section 54A of the Code, to an Owner of a Series 2009 Bond, or in the case of Series 2009 Bonds with respect to which there has been a separation between the Principal Component and the Tax Credit Components, a Tax Credit Certificate. The amount of the Tax Credit allowed on each Tax Credit Allowance Date with respect to a Series 2009 Bond or a Tax Credit Certificate, as applicable, is equal to the published Credit Rate for the date on which the Series 2009 Bond is sold (5.80%), multiplied by the outstanding principal amount of such Series 2009 Bond on the relevant Tax Credit Allowance Date, divided by four. The Tax Credit Allowance Dates are March 15, June 15, September 15, and December 15. The Tax Credit allowed for the first Tax Credit Allowance Date of December 15, 2009 is the ratable portion of the Tax Credit that would be allowed for a full calendar quarter, adjusted for the actual number of days elapsed between the issue date of Series 2009 Bonds (October 20, 2009) and December 15, 2009. Similarly, the Tax Credit allowed with respect to the period between the final maturity date of the Series 2009 Bonds or, if earlier, the date such Series 2009 Bonds are redeemed or converted to Interest Bearing Bonds, and the date of the immediately preceding Tax Credit Allowance Date, will be equal to the ratable portion of the amount of the Tax Credit that would be allowed for a full calendar quarter, adjusted for the actual number of days elapsed between such immediately preceding Tax Credit Allowance Date and the maturity date, or if earlier the date of redemption or conversion of the Series 2009 Bonds.

### **Limitation on Tax Credit**

The Tax Credit allowed may not exceed the sum of the taxpayer’s regular tax liability (as defined in Section 26(b) of the Code) and alternative minimum tax liability under Section 55 of the Code less, in general, the taxpayer’s other tax credits (except those tax credits set forth in subparts C (Sections 31-37), I (Sections 54A through 54F) and J (Section 54AA) of part IV of subchapter A of the Code). The Tax Credit is not considered a passive activity credit under Section 469(d) of the Code, and, therefore, such credit is not subject to the limitations with respect to passive activity credits.

### **Carryover of Excess Tax Credit Amounts**

Excess Tax Credits for a tax year will be carried over to the succeeding tax year and added to the Tax Credits allowable under Section 54A of the Code for such tax year.

### **Tax Credit Amount Treated as Interest**

Section 54A of the Code requires the owners of Tax Credit Components as of each Tax Credit Allowance Date, whether owned as part of the Series 2009 Bonds or as Tax Credit Certificates, to include

the amount of the Tax Credit (determined without reference to the limitation described above under “**Limitation on Tax Credit**”) in gross income for the taxable year in which such Tax Credit Allowance Date occurs. Subject to the stripping rules described in “**Tax Considerations Applicable to Strips**” below, a cash method taxpayer would take the deemed interest payment into account on the Tax Credit Allowance Date, while an accrual method taxpayer would accrue such amount as income over the three month period that ends on the Tax Credit Allowance Date (or a shorter period, in the case of the first and last Tax Credit Allowance Date). If such an accrual method owner of a Tax Credit Component, whether held as part of a Series 2009 Bond or as a Tax Credit Certificate, sells or exchanges such Tax Credit Component before any given Tax Credit Allowance Date, the owner must accrue such interest income up to the date of the sale or exchange but would not qualify for any of the Tax Credit for such Tax Credit Allowance Date. It would appear that because the subsequent purchaser would be entitled to the full Tax Credit for that Tax Credit Allowance Date, the purchase price would reflect the accrual of the deemed interest amount. It would also appear that the receipt of such amount by the purchaser primarily would constitute a return of capital (tax basis) and not be subject to additional (i.e. double) taxation to the purchaser. See “**Tax Basis**” below.

### **Tax Credit’s Effect on Estimated Income Tax Payments**

The Tax Credit under Section 54A of the Code may be taken into account by a taxpayer in computing the amount of quarterly estimated tax payments required to be paid by such taxpayer. Individual calendar year taxpayers should note that the March 15 and December 15 credit allowance dates do not correspond to the regular estimated tax payment dates of April 15 and January 15.

### **Tax Status of the Series 2009 Bonds**

The Series 2009 Bonds will be treated, for federal income tax purposes, as debt instruments. Accordingly, amounts treated as interest on the Series 2009 Bonds will be included in the income of an Owner thereof as it is paid or deemed to be paid (or, if such Owner is an accrual method taxpayer, as it is accrued) as interest.

If an Owner purchases Series 2009 Bonds for an amount that is less than the principal amount of such Series 2009 Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2009 Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

### **Original Issue Discount on Series 2009 Bonds**

For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a bonds over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of the Series 2009 Bonds equals the first price at which a substantial amount of the Series 2009 Bonds has been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price at maturity of a Series 2009 Bond is the sum of all payments provided by the Series 2009 Bond at maturity other than “qualified stated interest” payments. The term

“qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

A U.S. beneficial holder of a Series 2009 Bond with OID must include such OID in income as ordinary income for U.S. federal income tax purposes as it accrues in the same manner as OID is included in gross income for federal income tax purposes to a “Strip” (as defined below in “**Tax Considerations Applicable to Stripped Bonds**”). See “**Tax Considerations Applicable to Stripped Bonds**” below.

A U.S. beneficial holder who purchases a Series 2009 Bond issued with OID for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Series 2009 Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Series 2009 Bond at an “acquisition premium.” Under the acquisition premium rules, the amount of OID that such U.S. beneficial holder must include in its gross income with respect to such Series 2009 Bond for any taxable year (or portion thereof in which the U.S. beneficial holder holds the Series 2009 Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

### **Premium and Market Discount Considerations**

Owners of Series 2009 Bonds that purchased such Series 2009 Bonds at a price greater than the principal amount of the Series 2009 Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an Owner acquires a Series 2009 Bond for less than the adjusted issue price of the Series 2009 Bond (the “adjusted issue price” being the initial price of the Series 2009 Bond to the public increased for any accrued but unpaid original issue discount), then the Owner will acquire the Series 2009 Bond with “market discount” as defined under Section 1278 of the Code. If the amount of the market discount is greater than a “de minimis” amount (an amount equal to 0.0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date), then the Owner will have to recognize, as ordinary income, its share of any gain realized on the disposition of the Series 2009 Bond, to the extent such market discount has accrued. Similarly, the Owners will have to recognize any payment of principal, as ordinary income, to the extent market discount has accrued.

Alternatively, an Owner may elect to recognize and include market discount in income currently. Since such an election will affect how the Owner treats other securities it should only be made after consulting with a tax advisor. If an Owner elects to recognize and include market discount in income currently, the basis of the Owner’s interest in the Series 2009 Bond will increase by the amount of market discount recognized. If the market discount rules apply to a Series 2009 Bond but an Owner does not elect to accrue and include market discount in income currently, then the Owner may have to defer claiming a deduction for any interest expense on indebtedness incurred or continued to purchase or carry the Series 2009 Bond.

### **Tax Basis**

An Owner’s initial tax basis in a Series 2009 Bond generally will be equal to the purchase price paid by such Owner for such Series 2009 Bond. An Owner’s tax basis in a Series 2009 Bond will be increased by the amount of OID, if any, that is included in the Owner’s income, and decreased by the amount of premium, if any, amortized as a reduction to interest income, pursuant to the foregoing rules.

## **Sale of Series 2009 Bonds or Component**

Upon the sale of a Series 2009 Bond, or a component thereof, for cash, an Owner will recognize gain or loss equal to the difference between the amount of cash received (other than cash attributable to accrued interest) and such Owner's adjusted tax basis in the Series 2009 Bond, or component. Such gain or loss will be capital gain or loss if the Series 2009 Bond is a capital asset to such Owner. Cash received attributable to accrued interest will constitute ordinary interest income to an Owner that is cash method taxpayer, and a return of capital with respect to interest accrued as income by an Owner that is an accrual method taxpayer.

## **Tax Considerations Applicable to Stripped Bonds**

Section 54A of the Code allows a qualified tax credit bond (a "Tax Credit Bond") to be separated into a Principal Component and Tax Credit Component under regulations to be issued by the Treasury Department and IRS. Section 54A of the Code also directs that in the case of a separation, (1) the Tax Credit allowed under Section 54A of the Code will be allowed to the person who holds the Tax Credit Component on the Tax Credit Allowance Date (and not to the holder of the Principal Component) and (2) the stripping rules of Section 1286 will apply to the Series 2009 Bonds as if the Principal Component were a stripped bond and the Tax Credit Component were a stripped coupon. No regulations regarding the separation of a Tax Credit Bond have been issued as of the date of this Official Statement. Accordingly, while the rules under Section 1286 of the Code are expected to apply as described below, no assurance can be given that the rules in the regulations will agree with such description. Furthermore, regulations or other official guidance under Section 54A of the Code may impose additional requirements in connection with the separation of the Principal Component and the Tax Credit Component of a Tax Credit Bond.

For purposes of this subsection, "Strip" means a Principal Component or a Tax Credit Component, and "U.S. beneficial holder" means a beneficial holder of a Strip that is (i) a citizen or resident of the United States, (ii) a corporation organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States tax purposes regardless of its source, or (iv) a trust if a United States court is able to exercise primary supervision over administration of the trust and one or more U.S. Persons have authority to control all substantial decisions of the trust.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial holder of a Strip, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Strips and the partners in such partnerships should seek advice based on their particular circumstances from independent tax advisors.

### *Treatment of Stripping a Series 2009 Bond*

A U.S. beneficial holder that strips a Series 2009 Bond into its Principal Component and Tax Credit Components and disposes of one or more of the components is expected to be treated in the following manner. The U.S. beneficial holder will first be required to include in income all the interest and market discount accrued on the Series 2009 Bond up to the date of disposition (to the extent such income had not previously been included in income) and will increase its basis in the Series 2009 Bond by the amount included in income. Upon disposing of one or more Strips, the U.S. beneficial holder will then be required to recognize gain or loss equal to the difference between the amount realized on each Strip disposed of and the U.S. beneficial holder's basis in the Strip. For purposes of determining its basis in each component (whether or not disposed of), the U.S. beneficial holder will be required to allocate its



tax basis in the entire Series 2009 Bond (increased, as described above, for interest and market discount) between the Principal Component and Tax Credit Components based on their respective fair market values on the date of the disposition.

#### *No Special Exemption*

A U.S. beneficial holder is subject to United States federal income taxation on the income of a Strip, and there is no special exemption from United States federal income, estate or gift tax with respect to Strips.

#### *Inclusion in Income as Original Issue Discount*

A U.S. beneficial holder of a Strip will accrue income on the Strip in accordance with the original issue discount (“OID”) rules set forth in the Code as described below. In this regard, the application of the OID rules to the Strips is subject to significant uncertainty, and therefore purchasers of the Strips are urged to consult with their own tax advisors. Generally, however, it is anticipated that each U.S. beneficial holder of a Strip will be required to include in income, as OID, the difference between (1) in the case of a Principal Component, its stated redemption price at maturity, and, in the case of a Tax Credit Component, the amount of the Tax Credit and (2) the U.S. beneficial holder’s purchase price for the Strip (or, in the case of a person who effects a stripping transaction and disposes of one or more of the Strips, the portion of the person’s basis in the Tax Credit Bond which was allocated to the retained Strips as described above).

Regardless of a U.S. beneficial holder’s ordinary method of tax accounting (cash or accrual) the amount of OID on a Strip will generally be includible in the income of the U.S. beneficial holder over the life of the Strip on a constant-yield basis. Consequently, the U.S. beneficial holder of a Strip will ordinarily be required to report income from a Strip in advance of receiving the principal amount, in the case of a the Principal Component or the benefit of the Tax Credit, in the case of a Tax Credit Component. See, however, the discussion concerning the special rules applicable to “short-term” Strips, below.

#### *Yearly Calculation*

The amount of OID that must be included in income each year by the U.S. beneficial holder of a Strip will be equal to the sum of the daily portions of the OID that accrued during each day of the year during which the U.S. beneficial holder owned the Strip. The daily portions will be determined by allocating to each day of the accrual period, as defined below, a pro rata portion of an amount equal to the adjusted issue price of the Strip at the beginning of the accrual period, also as defined below, multiplied by the yield to maturity of the Strip, determined by compounding at the close of each accrual period and properly adjusting for the length of the accrual period. For purposes of these calculations, (i) the accrual periods may, generally, be of any length and may vary in length over the term of the Strip, provided that each accrual period is no longer than a year and that each scheduled payment of principal and deemed interest occurs either on the final day of an accrual period or on the first day of an accrual period, and (ii) the adjusted issue price of a Strip will be the U.S. beneficial holder’s purchase price for the Strip (or, in the case of a person who effects a stripping transaction and disposes of one or more of the Strips, the portion of the person’s basis in the Series 2009 Bond which is allocable to the retained Strips, as determined pursuant to the rules set forth above), increased by the OID accrued by the U.S. beneficial holder in previous accrual periods and decreased by any payments received or deemed received by the U.S. beneficial holder in prior accrual periods.

The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable (or deemed payable) at the maturity of the Strip and (y) the Strip's adjusted price as of the beginning of the final accrual period. The foregoing rules will generally be applied to each Strip acquired separately. In certain circumstances, Strips acquired (or retained by the person stripping a Series 2009 Bond) may be treated as a single instrument for tax purposes.

### *Short-Term Strips*

Special discount accrual rules apply in the case of Strips having a maturity of one year or less from the date of purchase (or in the case of a person who effects a stripping transaction, Strips having a maturity of one year or less from the date of the stripping transaction). In general, a cash basis U.S. beneficial holder who purchases a Strip with a maturity that is one year or less from the date of issuance ("short-term Strips") is not required to accrue OID for United States federal income tax purposes unless it elects to do so. Accrual basis U.S. beneficial holders and certain other U.S. beneficial holders (including certain pass-through entities and electing cash basis U.S. beneficial holders) who purchase a short-term Strip, and any U.S. beneficial holders who strip a Series 2009 Bond into Principal Components and Tax Credit Components and retain one or more components, are required to accrue the "acquisition discount" on the short-term Strips on either a straight-line basis or under the constant-yield method (based on daily compounding), at the election of the U.S. beneficial holder. In the case of a U.S. beneficial holder not required and not electing to include OID on a short-term Strip in income currently, any gain realized on the sale or retirement of the short-term Strip will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. beneficial holders who are not required and who do not elect to accrue OID on short-term Strips will be required to defer deductions for interest on borrowings allocable to short-term Strips in an amount not exceeding the deferred income until the deferred income is realized.

### *Sale or Disposition*

Upon the sale or exchange of a Strip, a U.S. beneficial holder generally will recognize capital gain or loss (except to the extent of accrued and unpaid interest, and subject to the exception applicable to certain short-term Strips, as discussed in the preceding paragraph) in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. beneficial holder's adjusted tax basis in the Strip. A U.S. beneficial holder's adjusted tax basis in a Strip will generally be its cost, increased by the amount of the OID included in the U.S. beneficial holder's income with respect to the Strip.

### *Recharacterization*

The Authority is selling the Series 2009 Bonds (and not Strips) to the Underwriters. It is possible, however, that the Underwriters may separate the ownership of some of the Series 2009 Bonds and sell the Principal Components and the Tax Credit Components resulting from such separation (as well as any remaining Series 2009 Bonds) immediately upon their receipt of the Series 2009 Bonds from the Authority. Such Strips might be viewed, for United States federal income tax purposes, as OID bonds issued directly by the Authority to the purchasers of the Strips. If the IRS were to characterize the transaction in this fashion, the rules set forth above would generally apply to the Series 2009 Bonds stripped by the Underwriters, except that (1) the amount of OID on each Strip so sold would be measured, and the adjusted issue price would be determined, by reference to the first price at which a substantial amount of each Strip was sold, rather than by reference to the price paid by the purchaser for the Strip (not only in the case of an initial purchaser of the Strip, but also in the case of any transferee thereof) and (2) the stated redemption price at maturity of a Strip would be determined by reference to all payments (or

deemed payments) to be made on the Strip subsequent to the date of the issuance of the Series 2009 Bonds rather than by reference to the payments to be made subsequent to the post-issuance separation of ownership of a Series 2009 Bond and creation of the Strip. Each U.S. beneficial holder is urged to consult with its own tax advisor as to the likelihood of such a characterization, as well as to the application of the “acquisition premium” and “market discount” rules which would apply to those Series 2009 Bonds stripped by the Underwriters if the transaction were to be so characterized.

### *Recombinations*

The OID rules are unclear as to the treatment of a U.S. beneficial holder who acquires a Principal Component and all of the associated Tax Credit Components; however, it is believed that such a person would not treat the Strips together as a Series 2009 Bond, but would instead recognize income on each of the Strips in the manner detailed above. Nevertheless, if such a person requests the Trustee to reconstitute the Strips into a Series 2009 Bond and that Series 2009 Bond is then sold to another person, it is anticipated that the new purchaser would be treated as having acquired a Series 2009 Bond (rather than the Strips). Each purchaser of a Strip is urged to consult its own tax advisor as to this issue.

### **Defeasance of Series 2009 Bonds**

Defeasance of any Series 2009 Bond may result in a deemed reissuance thereof for federal income tax purposes, meaning that such Series 2009 Bonds will be treated as having been sold or exchanged as of the date of the defeasance for a new obligation which is represented by such defeased Series 2009 Bond. In such event an Owner of a defeased Series 2009 Bond will recognize taxable gain or loss equal to the difference between the amount realized from such deemed sale or exchange (less any accrued qualified stated interest which may be taxable as such) and the Owner’s adjusted tax basis for such Series 2009 Bond.

### **Tax Reporting**

The Trustee shall prepare such tax information returns as may be required by the IRS. To date, the IRS has not issued any rulings or regulations or otherwise provided any guidance with respect to the mechanics of reporting of the Tax Credits as the equivalent of interest income, the reporting of the availability of the Tax Credits to the Owners thereof, or the accrual of OID on the Series 2009 Bonds, the Principal Components or the Tax Credit Components. The failure of the Trustee to furnish a tax reporting form to an Owner does not necessarily mean that the Owner has no taxable income. In addition, any form furnished to an Owner may specify an amount of taxable income different from the actual amount of taxable income reportable by such Owner if such Owner is not the original purchaser of a Tax Credit Bond, a Principal Component or a Tax Credit Component. The Owner of a Tax Credit Certificate, whether held as part of a Series 2009 Bond or as a Tax Credit Certificate, must include on its income tax return information with respect to the amount of taxable interest accrued as original issue discount during the taxable year.

### **U.S. Federal Information Reporting and Backup Withholding**

Under current United States federal income tax law, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the Series 2009 Bonds, Principal Components or Tax Credit Components. The IRS has not provided guidance regarding how the 28% backup withholding tax requirement will apply to the deemed interest payments represented by the Tax Credits. Therefore, it is not clear how or whether such withholding would occur. In addition, certain persons making such payments are required to submit information returns (i.e. IRS Forms 1099) to the IRS with regard to those payments. Backup

withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

### **Foreign Investors**

The amount of Tax Credits that can be used by an Owner is limited to the Owner's regular U.S. income and minimum tax liability. All foreign investors are urged to consult their own tax advisors before making an investment in the Series 2009 Bonds, Principal Components and the Tax Credit Components.

Payments on the Series 2009 Bonds, Principal Components or Tax Credit Components to a non-U.S. Owner that has no connection with the United States other than holding its Tax Credit Bond, Principal Component or Tax Credit Component generally will be made free of withholding tax, provided that the Owner has complied with certain tax identification and certification requirements.

### **Future Legislative or Regulatory Actions**

Legislation and regulatory actions affecting tax credit obligations is continually being considered by the U.S. Congress and the Treasury Department, respectively. There can be no assurance that legislation enacted after the date of issuance of the Series 2009 Bonds will not have an adverse effect on the classification of the Series 2009 Bonds as qualified school construction bonds, the ability of the Owners of the Series 2009 Bonds to claim the Tax Credits associated therewith, or the entitlement to owners of Tax Credits that have been separated from the associated Principal Components of the Series 2009 Bonds. Legislative or regulatory actions may also affect the economic value of the Series 2009 Bonds or components thereof.

### **State Income Tax Consequences**

The New York State Tax Law does not provide for any credit against New York State personal income tax or corporate franchise tax with respect to the ownership of a qualified school construction bond, such as the Series 2009 Bonds. It is not certain that the Tax Credit will be treated as interest for New York State personal income tax or corporate franchise tax purposes. All persons are urged to consult their own tax advisors to determine any other state or local tax consequences of making an investment in the Series 2009 Bonds.

## **PART 13—LITIGATION**

There is no litigation or other proceeding pending or, to the knowledge of the Authority, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2009 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2009 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2009 Bonds, the General Resolution or the Financing Agreement.

## **PART 14—CERTAIN LEGAL MATTERS**

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2009 Bonds are subject to the approval of Harris Beach PLLC, New York, New York, Bond Counsel to the Authority, and to certain other conditions. The approving opinion of Bond Counsel will be delivered with the Series 2009 Bonds. The proposed form of such opinion is included in this Official Statement as Appendix D.

Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York and Gonzalez Saggio & Harlan LLP, New York, New York, Co-Counsel to the Underwriters.

#### **PART 15—UNDERWRITING**

Goldman, Sachs & Co., the Underwriter for the Series 2009 Bonds, has agreed, subject to the terms of a Contract of Purchase with the Authority, to purchase the Series 2009 Bonds from the Authority. The Contract of Purchase for the Series 2009 Bonds provides, in part, that the Underwriter of the Series 2009 Bonds, subject to certain conditions, will purchase from the Authority (i) \$58,560,000 aggregate principal amount of Series 2009 Bonds at an aggregate purchase price of \$50,100,381.20 (which price reflects an Underwriter's discount of \$483,746.80 and an original issue discount of \$7,975,872).

#### **PART 16—LEGALITY OF INVESTMENT**

Under New York State law, the Series 2009 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. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2009 Bonds.

#### **PART 17—RATINGS**

The Series 2009 Bonds are rated "AAA" by Standard & Poor's and "AA-" by Fitch. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. 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 such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2009 Bonds.

#### **PART 18—CONTINUING DISCLOSURE**

In order to assist the Underwriters of the Series 2009 Bonds to comply with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement (the "Master Disclosure Agreement") for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2009 Bonds, to provide continuing disclosure. The State has undertaken for the benefit of all holders of State Personal Income Tax Revenue Bonds to provide in electronic form to the Electronic Municipal Market Access ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to Rules 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing, for the Series 2009 Bonds, with the fiscal year ending March 31, 2010, financial information and operating data referred to herein as "Annual Information" and the sources of the Revenue Bond Tax Fund Receipts, as described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), 120 days after the close of the State Fiscal Year, and the State will undertake to provide, in electronic form, the State's

annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, to the MSRB, if and when such statements are available. In addition, the Authorized Issuers have undertaken, for the benefit of all holders of the State Personal Income Tax Revenue Bonds, including holders of Series 2009 Bonds, to provide, in electronic form, to the MSRB, in a timely manner, the notices described below (the “Notices”).

The Annual Information shall consist of: (a) financial information and operating data of the type included in this Official Statement under the headings “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND,” including information relating to: (1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided); (2) a historical summary of New York State Personal Income Tax Receipts for a period of at least the five most recent completed State Fiscal Years then available, together with an explanation of the factors affecting collection levels; and (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix A hereto, under the headings or sub-headings “Prior Fiscal Years,” “Debt and Other Financing Activities,” “State Government Employment,” “State Retirement Systems” and “Authorities and Localities,” including, more specifically, information consisting of: (1) for prior fiscal years, an analysis of cash-basis results for the State’s three most recent fiscal years, and a presentation of the State’s results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State and the collection of New York State Personal Income Tax Receipts.

The Notices include notices of any of the following events with respect to all State Personal Income Tax Revenue Bonds, including holders of the Series 2009 Bonds, if material (each of which is described in the Master Disclosure Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Authorized Issuers have undertaken for the benefit of the holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2009 Bonds, to provide, in electronic form, to the MSRB, in a timely manner, notice of any failure by the State to electronically file the Annual Information and annual financial statements by the date required in the State’s undertaking described above.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as

the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2009 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2009 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2009 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Master Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein.

Copies of the Master Disclosure Agreement are on file at the respective offices of each Authorized Issuer.

## **PART 19—MISCELLANEOUS**

Certain information concerning the State (which is either included in or appended to this Official Statement) has been furnished or reviewed and authorized for use by the Authority by such sources as described in this Official Statement. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources.

The State provided the information relating to the State in “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK.”

The Underwriters have not provided any information contained in this Official Statement except for the information contained under the caption “PART 15—UNDERWRITING” and except for certain financial and statistical information relating to the Series 2009 Bonds.

The Director of the Budget of the State of New York is to certify that the statements and information appearing (i) under the headings “PART 1—SUMMARY STATEMENT” (except under the

subcaptions “Purpose of Issue; Security for Series 2009 Bonds” and “Qualified School Construction Bonds” as to which no representation is made), “PART 2—INTRODUCTION—General” (the second, third, fifth, seventh, eighth, ninth and eleventh paragraphs only), “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS”, (ii) under the heading “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND”, (iii) under the heading captioned “PART 8—DEBT SERVICE REQUIREMENTS” as to the column “Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service” and (iv) in the “Annual Information Statement of the State of New York”, including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided, however*, that while the statements and information contained in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided, however*, that while the information and statements contained under such headings and in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided, further, however*, that with regard to the statements and information in Appendix A hereto under the caption “Litigation”, such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2009 Bonds.

Lamont Financial Services Corporation has acted as financial advisor to the Authority in connection with the sale and issuance of the Series 2009 Bonds.

The references herein to the Authority Act, the Enabling Act, other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered Owners of the Series 2009 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2009 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2009 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Authority located at 515 Broadway, Albany, New York 12207.



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

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

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

**APPENDIX A**  
**INFORMATION CONCERNING THE STATE OF NEW YORK**

**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**

**APPENDIX C**  
**FINANCING AGREEMENT**

## APPENDIX D

### PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2009 Bonds, Harris Beach PLLC, Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

HARRIS BEACH PLLC  
100 WALL STREET  
NEW YORK, NEW YORK 10005

[Date of Delivery]

Dormitory Authority of the  
State of New York  
515 Broadway  
Albany, New York 12207

**Re:                 \$58,560,000**  
**Dormitory Authority of the State of New York**  
**State Personal Income Tax Revenue Bonds (Education)**  
**Qualified School Construction Bonds, Series 2009 (Tax Credit Bonds)**

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of \$58,560,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Education) Qualified School Construction Bonds, Series 2009 (Tax Credit Bonds) (the "Series 2009 Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended from time to time (the "Act"). Capitalized terms used herein and not otherwise defined have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2009 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, including in particular the Act, (ii) the State Personal Income Tax Revenue Bonds (Education) General Bond Resolution adopted on June 24, 2002 (the "General Resolution"), as supplemented by Supplemental Resolution 2007-2 Authorizing State Personal Income Tax Revenue Bonds (Education) adopted by the Authority in accordance with the General Resolution on May 30, 2007, as amended and restated by the Authority on September 23, 2009 (as so restated the "Series 2009 Supplemental Resolution") and a Certificate of Determination (the "Series Certificate") delivered by an Authorized Officer of the Authority pursuant to the Resolutions, dated October 8, 2009, setting forth certain terms of the Series 2009 Bonds. Such Certificate of Determination, together with the General Resolution and the Series 2009 Supplemental Resolution are collectively referred to as the "Resolutions".

The Authority and the State, acting by and through the Director of the Budget, have entered into a financing agreement dated as of January 1, 2003 (the "Financing Agreement"), which provides for the payment, subject to annual appropriation by the State Legislature, of Financing Agreement Payments by the State Comptroller to Deutsch Bank Trust Company Americas, New York, New York, as trustee (the

“Trustee”) on behalf of the Authority in amounts sufficient to pay the principal of, redemption premium, if any, interest, if any, and any other amounts payable on the Series 2009 Bonds.

The Series 2009 Bonds are issuable in the form of fully registered bonds in the denominations of \$40,000 or any integral multiple thereof. The Series 2009 Bonds shall be lettered and numbered as provided in the Resolutions.

The Series 2009 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner and upon the terms and conditions set forth in the Resolutions.

Under the provisions of the Resolutions, the Series 2009 Bonds will rank equally as to security and payment with the Authority’s Outstanding Series of Bonds and with certain additional Series of Bonds which may be issued upon the terms and conditions and for the purposes set forth in the General Resolution.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at the time of, and subsequent to, the issuance and delivery of the Series 2009 Bonds in order for such bonds to be treated as “qualified school construction bonds” within the meaning of Section 54F of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of bond proceeds and other moneys or properties, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the Series 2009 Bonds to not be treated as qualified school construction bonds and to cause the owners of the Series 2009 Bonds to not be allowed the tax credits associated therewith, retroactive to the date of issuance of the Series 2009 Bonds irrespective of the date on which such noncompliance occurs. The Resolutions, a certificate from the State Education Department delivered the date of issuance of the Series 2009 Bonds (the “SED Tax Certificate”) and the Authority’s Tax Certificate delivered at the time of delivery of the Series 2009 Bonds (the “Authority’s Tax Certificate”) contain certain factual certifications, covenants, representations and warranties as to compliance with the requirements of the Code (the SED Tax Certificate and the Authority’s Tax Certificate being collectively referred to as the “Tax Certificates”).

In rendering the opinions set forth in paragraph 6 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance by the Authority and the State with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions and the Tax Certificates. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the State, or the failure by the Authority or the State to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions and the Tax Certificates, the Series 2009 Bonds may not be treated as qualified school construction bonds resulting in the owners of the Series 2009 Bonds not being allowed the tax credits associated therewith, retroactive to the date of issuance of the Series 2009 Bonds irrespective of the date on which such noncompliance occurs. We express no opinion as to any federal, state or local tax consequences with respect to the Series 2009 Bonds or the tax credits associated therewith if any change occurs or action is taken or omitted under the Resolutions or the Tax Certificates or under any other relevant documents upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2009 Bonds may affect the qualification of the bonds as “qualified school construction bonds” under Section 54F of the Code, or the status of the tax credits associated therewith. Except as stated in paragraphs 6, 7 and 8, herein, we express no opinion as to federal or state and local tax consequences of the ownership or disposition of the Series 2009 Bonds or the receipt of the tax credits associated therewith.

We note that regulations have not been promulgated with respect to the separation of the ownership of any portion of a “qualified school construction bond” and the entitlement of the federal income tax credit provided by Section 54A of the Code. Such regulations and other official guidance, if

and when issued, may impose additional requirements and may be applicable, prospectively or retroactively, to a holder's claim for allowance of a credit under Section 54A of the Code.

We have examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions set forth below. We have also examined one of the Series 2009A Bonds as executed and authenticated.

Based on the foregoing, and subject to the further assumptions and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a body corporate and politic, duly created and validly existing under the provisions of the Act.

2. The Series 2009 Bonds have been duly and validly authorized and issued in accordance with the Act and the Resolutions. The Series 2009 Bonds constitute valid and legally binding special limited obligations of the Authority, payable as provided in, and enforceable against the Authority in accordance with, their terms and the terms of the Resolutions and are entitled to the benefits of the Act and the Resolutions.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest, if any the Series 2009 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2009 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Administrative Fund, the Rebate Fund and the QSCB Deposit Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The Financing Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the State, constitutes a valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2009 Bonds are payable solely from the sources described in the Resolutions and do not constitute a legally enforceable obligation on the part of the State or create a debt on behalf of the State enforceable against the State. The Series 2009 Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2009 Bonds.

6. Under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the Tax Certificates, the Series 2009 Bonds are "qualified school construction bonds" within the meaning of Section 54F of the Code. The Owners of the Series 2009 Bonds (or in the case of Series 2009 Bonds for which the ownership of the Tax Credit Component has been separated, the Owners of the Tax Credit Certificates), as of each credit allowance date (as defined in Section 54A(e)(1) of the Code) will be entitled, subject to the limitations of Section 54A of the Code, to a federal income tax credit (the "Tax Credit") for the taxable year in which such credit allowance date occurs. The amount of the Tax Credit will be treated as interest for federal tax purposes and will be included in the gross income of the recipients thereof.

7. The Series 2009A Bonds are legal investments under present provisions of New York law for the Comptroller and for insurance companies, banks and trust companies, savings banks and associations, administrators, guardians, executors, trustees and other fiduciaries.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolutions, the Series 2009 Bonds and the Financing Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

In accordance with United States Department Circular 230, we inform you that, (i) unless expressly stated otherwise, any U.S. federal tax advice contained in this opinion letter is not intended to be used, and cannot be used, by any taxpayer for the purposes of avoiding penalties that may be imposed on such taxpayer by the Internal Revenue Service, (ii) this letter was written to support the promotion or marketing of the Series 2009 Bonds, and (iii) investors are urged to obtain independent tax advice regarding the Series 2009 Bonds based upon their particular circumstances.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2009 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority or the State other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2009 Bonds.

Respectfully submitted,



**APPENDIX E**

**TABLE OF ALLOCATION OF REDEMPTION VALUES**

Date	Principal	Credit Rate	Credit Amount	Credit Amounts	
				per \$40,000	per \$100
<b>10/20/09</b>				<u>First Period (12/15/09):</u>	
12/15/09			\$518,256		
3/15/10			849,120	\$354.00	0.88500%
6/15/10			849,120		<u>Thereafter:</u>
9/15/10			849,120	\$580.00	1.45000%
12/15/10			849,120		
3/15/11			849,120		
6/15/11			849,120		
9/15/11			849,120		
12/15/11			849,120		
3/15/12			849,120		
6/15/12			849,120		
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3/15/24			849,120		
6/15/24			849,120		
9/15/24			849,120		
12/15/24			849,120		
3/15/25			849,120		
6/15/25			849,120		
9/15/25	<u>58,560,000</u>	5.800%	<u>849,120</u>		
<b>TOTALS:</b>	<b>\$58,560,000</b>		<b>\$54,012,816</b>		