

Moody's: Aa2

S&P: AA

Fitch: AA+

(See "Ratings" herein)

NEW ISSUE



\$102,395,000

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
PLEGDED ASSESSMENT REVENUE BONDS,
SERIES 2010A (FEDERALLY TAXABLE)**

Dated: Date of Delivery

Due: December 1, as shown on inside cover

Payment: The Dormitory Authority of the State of New York Pledged Assessment Revenue Bonds, Series 2010A (Federally Taxable) (the "Series 2010A Bonds") will be special revenue obligations of the Dormitory Authority of the State of New York (the "Authority"). Principal and Redemption Price of, and interest on, the Series 2010A Bonds are payable from the Pledged Assessments (as defined herein) to be assessed and collected by the Chair (the "Chair") of the New York State Workers' Compensation Board (the "Board") pursuant to the Enabling Act (as defined herein) and the Pledged Assessment Revenue Bond Financing Agreement and the Supplemental Financing Agreement No. 1, each dated as of October 28, 2009 (collectively, the "2010 Financing Agreement"), among the Authority, the Chair and the Commissioner of Taxation and Finance of the State of New York (the "Commissioner"), and as provided by the Authority's Pledged Assessment Revenue Bond Resolution, adopted by the Authority on October 28, 2009 (the "Resolution") and the Authority's Pledged Assessment Revenue Series Resolution authorizing the issuance of the Series 2010A Bonds, adopted by the Authority on October 28, 2009 (the "Series 2010A Resolution" and, collectively with the Resolution, the "Resolutions").

The Authority has no taxing power. Pursuant to the Enabling Act, the Series 2010A Bonds shall not constitute a debt or moral obligation of the State of New York (the "State") or a State supported obligation within the meaning of any constitutional or statutory provision and neither the faith and credit of the State nor the taxing power of the State is pledged to the payment of the principal, premium, if any, or interest on the Series 2010A Bonds. The State and the Authority shall not be liable to make any payments thereon nor shall any Series 2010A Bond be payable out of any funds or assets other than Pledged Property (as defined herein), including the Pledged Assessments, and other funds and accounts held by The Bank of New York Mellon, as trustee (the "Trustee") and pledged therefor pursuant to the Resolutions.

Description: The Series 2010A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2010A Bonds will bear interest at the rates and will pay interest and mature at the times shown on the inside cover hereof. Interest on the Series 2010A Bonds is payable on each December 1 and June 1, commencing June 1, 2011.

The Series 2010A Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2010A Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2010A Bonds, payments of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2010A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement to beneficial owners is the responsibility of DTC participants. See "PART 2 – DESCRIPTION OF THE SERIES 2010A BONDS – Book-Entry Only System" herein.

Redemption: *The Series 2010A Bonds are subject to mandatory redemption prior to maturity as more fully described herein.*

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, interest on the Series 2010A Bonds is included in gross income for Federal income tax purposes and, under existing statutes, is exempt from personal income taxes of the State and its political subdivisions, including The City of New York. See "PART 14 - TAX MATTERS" herein.

The Series 2010A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2010A Bonds may be subject to prior sale, or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hiscock & Barclay, LLP, Albany, New York, counsel to the Underwriters. The Authority expects to deliver the Series 2010A Bonds in definitive form in New York, New York, on or about December 9, 2010.

Goldman, Sachs & Co.

Citi

Siebert Brandford Shank & Co., L.L.C.

M.R. Beal & Company

December 2, 2010

\$102,395,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
PLEDGED ASSESSMENT REVENUE BONDS, SERIES 2010A (FEDERALLY TAXABLE)

\$56,895,000
SERIES 2010A

<u>Due December 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
2012	\$16,000,000	1.793%	1.793%	6499056Z4
2013	16,000,000	2.302	2.302	6499057A8
2014	9,985,000	2.931	2.931	6499057B6
2015	14,910,000	3.125	3.431	6499057C4

\$45,500,000 5.000% Term Bonds due December 1, 2020, Yield: 5.250% CUSIP⁽¹⁾ 6499057D2

⁽¹⁾ CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010A Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Series 2010A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2010A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority or the State to give any information or to make any representations with respect to the Series 2010A Bonds other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Authority.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2010A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the underwriters do not guarantee the accuracy or completeness of such information.

Certain information in this Official Statement has been supplied or authorized by the Chair, the Superintendent, the State Insurance Fund, Milliman, DTC and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, however, and the information provided by such sources is not to be construed as a representation of the Authority. See "PART 21 – SOURCES OF INFORMATION AND CERTIFICATIONS" of the Official Statement for a description of the information provided by the various sources.

References in this Official Statement to the Enabling Act, the Resolutions, the Financing Agreement and the Continuing Disclosure Agreement do not purport to be complete. Refer to the Enabling Act, the Resolutions, the Financing Agreement and the Continuing Disclosure Agreement for full and complete details of their provisions. Copies of the Resolutions, the Financing Agreement and the Continuing Disclosure Agreement are on file with the Authority and the Trustee.

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

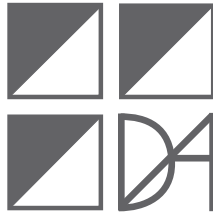
Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority, the Fund or the State have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2010A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY – STATE OF NEW YORK
PAUL T. WILLIAMS, JR. – PRESIDENT

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

\$102,395,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
PLEGDED ASSESSMENT REVENUE BONDS,
SERIES 2010A (FEDERALLY TAXABLE)

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 2010A 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.

Authorization for Bonds

The State of New York (the “State”) enacted Chapter 6 of the Laws of 2007 which made significant changes to the State’s Workers’ Compensation system including amendments to the State Workers’ Compensation Law and the Dormitory Authority Act. Chapter 6 of the Laws of 2007 and the Workers’ Compensation Law and Dormitory Authority Act as amended thereby are collectively, referred to herein as the “Enabling Act”. The Enabling Act provides that the Authority has the power and authority to issue its bonds, notes, certificates of participation and other evidence of indebtedness at such times and in an aggregate principal amount not to exceed an amount to be determined by the Superintendent of Insurance of the State of New York (the “Superintendent”) as necessary to address all or a portion of the incurred unfunded liabilities of the Special Disability Fund (the “Fund”), but in no case in excess of 25% of the unfunded liability of the Fund as of July 1, 2007. The Series 2010A Bonds are the initial issuance of Bonds pursuant to the Enabling Act. See “PART 1 – INTRODUCTION – Authorization of Issuance.”

The Series 2010A Bonds are special obligations of the Authority, secured by a pledge of the Pledged Property, including the Pledged Assessments, to be paid to The Bank of New York Mellon, as trustee (the “Trustee”) pursuant to the Pledged Assessment Revenue Bond Financing Agreement and the Supplemental Financing Agreement No. 1, each dated as of October 28, 2009 (collectively, the “2010 Financing Agreement”), among the Authority, the Chair and the Commissioner of Taxation and Finance of the State of New York (the “Commissioner”). The 2010 Financing Agreement may be supplemented or amended from time to time and, as so supplemented or amended, is referred to herein as the “Financing Agreement”. See “APPENDIX A – CERTAIN DEFINITIONS” and “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT – Reserved Right of Amendment”.

**Authorization for Bonds
(cont'd)**

The Enabling Act authorizes the issuance of Bonds for the purposes (“Finance Fund Purposes”) of:

- (a) funding “lump sum” payments under agreements (“Waiver Agreements”) negotiated with claimants to settle and determine the compensation and other benefits to injured workers or his or her dependents whose claims are eligible for payment from the Fund, including reimbursement for certain amounts previously paid from the Fund pursuant to Waiver Agreements;
- (b) funding amounts payable from the Fund under agreements entered into between the Board and one or more Insurance Carriers (as defined herein), the New York State Insurance Fund (the “State Insurance Fund”) and the Self-Insurers (as defined herein) pursuant to which the respective Insurance Carrier, State Insurance Fund or Self-Insurer assumes liability for and management, administration or settlement of certain claims in the Fund (“Contract Awards”);
- (c) funding anticipated liabilities of the Fund;
- (d) payment of Financing Costs;
- (e) refunding of Bonds, which may include interest thereon; and
- (f) such other purposes as are set forth in the Financing Agreement.

See “PART 4 – Plan of Finance” and “PART 5 – ESTIMATED SOURCES AND USES OF FUNDS.”

The Series 2010A Bonds will be issued pursuant to the Enabling Act and the Authority’s Pledged Assessment Revenue Bond Resolution, adopted by the Authority on October 28, 2009 (the “Resolution”) and the Authority’s Pledged Assessment Revenue Series Resolution authorizing the issuance of Series 2010A Bonds, adopted by the Authority on October 28, 2009 (the “Series 2010A Resolution” and, collectively with the Resolution, the “Resolutions”). See “PART 1 – INTRODUCTION – Authorization of Issuance.”

Purpose of the Issue

The Series 2010A Bonds are being issued to:

- (a) fund Waiver Agreements;
- (b) pay Financing Costs consisting of some or all of:
 - (i) certain items of expense incurred directly or indirectly and payable or reimbursable by the Authority, the Chair, the Commissioner or the Director of the Budget and related to the authorization, sale and issuance of the Series 2010A Bonds (“Costs of Issuance”);

**Purpose of the Issue
(cont'd)**

(ii) moneys sufficient to pay a portion of the interest accruing on the Series 2010A Bonds;

(iii) capitalized Operating Expenses consisting of the reasonable or necessary operating expenses of the Authority, as determined by the Authority, including, without limitation, the costs of: retention of auditors, preparation of accounting and other reports, maintenance of the ratings on the Bonds, any Operating Expense reserve fund, insurance premiums, Ancillary Bond Facilities, annual meetings or other required activities of the Authority, and professional consultants and fiduciaries retained by the Authority;

(iv) the initial capitalized operating expenses of the Office;

(v) a deposit to the Debt Service Reserve Fund in order to satisfy the Debt Service Reserve Fund Requirement with respect to the Series 2010A Bonds; and

(vi) other fees, discounts, expenses and costs relating to issuing, securing and marketing the Series 2010A Bonds including, without limitation, any net original issue discount. See “PART 4 – PLAN OF FINANCE” and “PART 5 – ESTIMATED SOURCES AND USES OF FUNDS.”

The Fund

The Fund was established in 1916 as a special fund of the State under the Workers’ Compensation Law to provide reimbursement of certain workers’ compensation benefits to private insurance carriers (the “Insurance Carriers”), self-insurers, including private self-insurers (“Individual Self-Insurers”), the State, political subdivisions of the State (“Political Subdivision Self-Insurers”) and group self-insurers (the “Group Self-Insurers” and, collectively with the Individual Self-Insurers and Political Subdivision Self-Insurers, the “Self-Insurers”) and the State Insurance Fund (collectively with the Insurance Carriers and the Self-Insurers, the “Payers”) providing workers’ compensation coverage to employees in the State. The Fund provides reimbursement of certain claims for medical payments and indemnity benefits (also known as wage replacement benefits) in cases involving a disability, caused by a second injury or occupational disease, that results in permanent disability that is greater than what would have resulted from the second injury or occupational disease alone. The Enabling Act made significant changes to the State Workers’ Compensation Law, including changes relating to the Fund and the claims for which it provides reimbursement. See “PART 1 – INTRODUCTION – Purpose of the Issue” and “PART 7 – THE FUND.”

**Security for Series 2010A
Bonds**

The Bonds, including the Series 2010A Bonds, are special revenue obligations of the Authority payable from amounts to be paid to the Trustee pursuant to the Enabling Act and the Financing Agreement, solely from “Pledged Property” consisting generally of:

- (i) all of the Authority’s right, title and interest in and to the Financing Agreement (including the right to receive the total amount of Pledged Assessments, first out of all Assessments received each year by the Chair pursuant to the Financing Agreement, but excluding certain rights reserved by the Authority);

**Security for Series 2010A
Bonds (cont'd)**

- (ii) the Revenues, which are comprised of (A) the Annual Debt Service Payment (as defined herein) including Associated Costs which, pursuant to the Resolution and the Financing Agreement, are to be paid to the Trustee, (B) payments paid by any Facility Provider, and (C) all earnings on the investment of amounts held in the funds and accounts established and held by the Trustee under the Resolution except the Arbitrage Rebate Fund; and
- (iii) any funds and accounts established under the Resolution, other than the Finance Fund and Arbitrage Rebate Fund. The Authority reserves the right by a Supplemental Resolution to create additional funds and accounts solely for the benefit of one or more Series of Bonds.

See “PART 1 – INTRODUCTION – Payment and Security for the Bonds”, “PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security for the Bonds” and “APPENDIX A – CERTAIN DEFINITIONS”.

The Authority has no taxing power. Pursuant to the Enabling Act, the Series 2010A Bonds shall not constitute a debt or moral obligation of the State or a State supported obligation within the meaning of any constitutional or statutory provision and neither the pledge of the faith and credit of the State nor the taxing power of the State is pledged to the payment of the principal, premium, if any, or the interest on the Series 2010A Bonds. The State and the Authority shall not be liable to make any payments thereon nor shall any Series 2010A Bond be payable out of any funds or assets other than Pledged Property and other funds and assets held by the Trustee and pledged therefor.

**Sources of Payment;
Assessments**

Pursuant to the Enabling Act, that portion of the Assessments required to be assessed, collected and applied in accordance with the Financing Agreement, and the Enabling Act (the “Pledged Assessments”) which Pledged Assessments, including the right to receive the same, are pledged to the Annual Debt Service Payment, which consists of Debt Service on the Bonds, including the Series 2010A Bonds, and Associated Costs. Pledged Assessments shall be deemed the first monies received from the Assessments levied and collected in each year. See “APPENDIX A – CERTAIN DEFINITIONS”.

Pursuant to the Financing Agreement, on or before January 1 of each year, commencing January 1, 2011, the Authority is required to certify to the Chair and the Commissioner the Annual Debt Service Payment for the calendar year beginning on January 1. To provide for the payment of the Annual Debt Service Payment, the Chair is required to levy and collect Assessments for such calendar year in an amount equal to the greater of:

- (a) the sum of:
 - (i) an amount equal to 150% of the total disbursements made from the Fund during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or Waiver Agreements funded by Bond proceeds and related earnings), less the amount of the net assets in the Fund as of December 31 of the preceding calendar year, and
 - (ii) the amount projected to be sufficient to cover the Annual Debt Service Payment to be paid during the calendar year, as calculated in accordance with the Financing Agreement; or

**Sources of Payment;
Assessments (cont'd)**

(b) an amount equivalent to 110% of the amount projected to be sufficient to cover the Annual Debt Service Payment (excluding the coverage factor), to be paid during the calendar year by the Authority, as calculated in accordance with the Financing Agreement.

On or before March 15 of each year, commencing March 15, 2011, the Chair shall impose the Assessments. The Commissioner is required to deposit all payments of Assessments received from Payers into the Assessments Receipts Account held by the Commissioner, in accordance with the Financing Agreement.

The Commissioner, promptly upon receipt of the total amount of the Annual Debt Service Payment, is required to transfer and deposit such amount of Pledged Assessments into the Revenue Fund held by the Trustee. The Commissioner may not allow any Assessments received to be applied or credited other than for the deposit or credit to such Revenue Fund for payment of the Annual Debt Service Payment until after the total amount of such Annual Debt Service Payment due under the Financing Agreement has been so transferred and deposited in accordance with such Financing Agreement.

For additional information, see “PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Payment of the Bonds.”

Additional Bonds

The Authority is authorized under the Resolution to issue additional Bonds secured equally and ratably by the Pledged Property. The Resolution permits the Authority to secure obligations on indebtedness to any provider of an Ancillary Bond Facility by a lien and pledge on a parity with the Bonds. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.” The aggregate principal amount of Bonds which may be issued pursuant to the Resolution is not limited except as so provided in the Enabling Act, as it may be amended from time to time.

The Authority reserves the right to issue bonds, notes or other obligations pursuant to trust documents other than the Resolution, so long as such bonds, notes or other obligations are not entitled to a charge or lien on, or right with respect to, the Pledged Property that is prior to or equal to that of the Resolution.

**Debt Service Reserve
Fund**

The Resolution establishes the Debt Service Reserve Fund, which is to be held by the Trustee and applied solely for the purposes specified in the Resolution and pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds. Pursuant to the Resolutions, the Debt Service Reserve Fund Requirement for the Series 2010A Bonds is \$9,844,398.93, which is equal to one-half of the greatest amount required in any twelve month period to pay the sum of the principal and Sinking Fund Installments of and interest on the Series 2010A Bonds. The Resolution permits the Authority, subject to Rating Confirmation with respect to any then Outstanding Bonds, to issue additional Bonds without any additional deposit to the Debt Service Reserve Fund or an increase in the Debt Service Reserve Fund Requirement. See “PART 1 – INTRODUCTION – Debt Service Reserve Fund” and “PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security for the Bonds.”

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority, the Board, the Trustee and Digital Assurance Certification LLC (“DAC”) will enter into a Continuing Disclosure Agreement. See “PART 20 – CONTINUING DISCLOSURE.”

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DORMITORY AUTHORITY – STATE OF NEW YORK
PAUL T. WILLIAMS, JR. – PRESIDENT

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

\$102,395,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
PLEGDED ASSESSMENT REVENUE BONDS,
SERIES 2010A (FEDERALLY TAXABLE)

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (the “Authority”) and the State of New York Workers’ Compensation Board (the “Board”) in respect of the Special Disability Fund (the “Fund”), all in connection with the offering by the Authority of \$102,395,000 principal amount of its Pledged Assessment Revenue Bonds, Series 2010A (Federally Taxable) (the “Series 2010A Bonds”). The definitions of certain of the terms used in this Official Statement appear in Appendix A to this Official Statement.

Purpose of the Issue

The Fund was established in 1916 as a special fund of the State under the Workers’ Compensation Law to provide payments or reimbursement of certain claims for certain workers’ compensation indemnity benefits (also known as wage replacement benefits) and medical benefits to private insurance carriers (the “Insurance Carriers”), self-insurers, including private self-insurers (“Individual Self-Insurers”), the State and political subdivisions of the State (“Political Subdivision Self-Insurers”) and group self-insurers (the “Group Self-Insurers” and, collectively with the Individual Self-Insurers and Political Subdivision Self-Insurers, the “Self-Insurers”) and the State Insurance Fund (collectively with the Insurance Carriers and the Self-Insurers, the “Payers”) providing workers’ compensation coverage to employees in the State. The Fund provides reimbursement of certain claims for workers’ compensation indemnity benefits and medical benefits in cases involving a disability, caused by a second injury or occupational disease, that results in permanent disability that is greater than what would have resulted from the second injury or occupational disease alone.

Chapter 6 of the Laws of 2007 made significant changes to the State workers’ compensation system including to the Fund and amends the Workers’ Compensation Law and the Dormitory Authority Act. Chapter 6 of the Laws of 2007, the Workers’ Compensation Law and the Dormitory Authority Act as amended thereby are referred to herein as the “Enabling Act”. Among other things, the Enabling Act:

- closed the Fund by:
 - providing that no claims for reimbursement from the Fund can be made for injuries or illnesses occurring on or after July 1, 2007; and
 - providing that no claims for reimbursement from the Fund may be filed after July 1, 2010;

- authorized the Chair (the “Chair”) of the Board to establish a Waiver Agreement Management Office (the “Office”) and to consider a range of alternatives for satisfying liabilities of the Fund;
- required that an analysis of the Fund be undertaken by a qualified third party to determine the unfunded liabilities of the Fund as of July 1, 2007; and
- authorized the Authority to issue revenue bonds secured by assessments imposed by the Board pursuant to the Enabling Act on Payers (the “Assessments”). See “PART 7 – THE FUND.”

The Series 2010A Bonds are being issued to:

- (a) fund “lump sum” payments under agreements (“Waiver Agreements”) negotiated with claimants to settle and determine the compensation and other benefits to injured workers or his or her dependents whose claims are eligible for payment from the Fund (including the reimbursement of the Chair for certain amounts previously paid pursuant to Waiver Agreements);
- (b) pay Financing Costs consisting of some or all of:
 - (i) certain items of expense incurred directly or indirectly and payable or reimbursable by the Authority, the Chair, the Commissioner or the Director of the Budget and related to the authorization, sale and issuance of the Series 2010A Bonds (“Costs of Issuance”);
 - (ii) moneys sufficient to pay a portion of the interest accruing on the Series 2010A Bonds;
 - (iii) capitalized Operating Expenses consisting of the reasonable or necessary operating expenses of the Authority, as determined by the Authority, including, without limitation, the costs of: retention of auditors, preparation of accounting and other reports, maintenance of the ratings on the Bonds, any Operating Expense reserve fund, insurance premiums, Ancillary Bond Facilities, annual meetings or other required activities of the Authority, and professional consultants and fiduciaries retained by the Authority;
 - (iv) the initial capitalized operating expenses of the Office;
 - (v) a deposit to the Debt Service Reserve Fund in order to satisfy the Debt Service Reserve Fund Requirement with respect to the Series 2010A Bonds; and
 - (vi) other fees, discounts, expenses and costs relating to issuing, securing and marketing the Series 2010A Bonds including, without limitation, any net original issue discount. See “PART 4 – PLAN OF FINANCE” and “PART 5 – ESTIMATED SOURCES AND USES OF FUNDS.”

The Enabling Act also authorizes the issuance of bonds, notes, certificates of participation and other evidences of indebtedness (the “Bonds”) to fund one or more of the following purposes (collectively with the purposes specified in (a) and (b) above, “Finance Fund Purposes”): funding amounts payable from the Fund under agreements entered into between the Board and one or more Insurance Carriers, the State Insurance Fund and Self-Insurer as authorized by the Enabling Act pursuant to which the respective Insurance Carrier, the State Insurance Fund or Self-Insurer assumes liability for and management, administration or settlement of certain claims in the Fund (“Contract Awards”); funding anticipated liabilities of the Fund; refunding of Bonds, which may include the interest thereon; and such other purposes as are set forth in the Financing Agreement.

Authorization of Issuance

The Enabling Act provides that the Authority shall have power and authority to issue its Bonds at such times and in an aggregate principal amount not to exceed an amount to be determined by the Superintendent of Insurance of the State (the "Superintendent") as necessary to address all or a portion of the incurred unfunded liabilities of the Fund, but in no case in excess of 25% of the unfunded liability of the Fund as of July 1, 2007 as certified to the Authority by a qualified third party, except that the foregoing limitation shall not prevent the issuance of Bonds to refund any outstanding Bonds of the Authority. The Resolution authorizes the issuance of Bonds in an unlimited amount, subject to the provisions of the Enabling Act as it may from time to time be amended.

In order to assess the unfunded liabilities of the Fund as the Enabling Act requires, the State, through the Division of Budget and the Board, retained Milliman, Inc. ("Milliman"), an actuarial firm. In its report to the Division of Budget, and solely to support the Fund's compliance with the Enabling Act, Milliman estimated a range of reserve estimate. Milliman has represented to the Authority that the unfunded liability of the Fund was \$18.2 billion as of June 30, 2007. Based on the Milliman estimate and pursuant to the Enabling Act, the aggregate authorized principal amount of Bonds, other than refunding Bonds, may not exceed \$4,550,000,000. The Enabling Act may be amended from time to time to increase the aggregate principal amount of Bonds authorized. See "PART 7 – THE FUND."

The Series 2010A Bonds will be issued pursuant to the Enabling Act and the Authority's Pledged Assessment Revenue Bond Resolution, adopted by the Authority on October 28, 2009 (the "Resolution"), the Authority's Pledged Assessment Revenue Series Resolution authorizing up to \$1,000,000,000 Pledged Assessment Revenue Bonds, adopted by the Authority on October 28, 2009 (the "Series 2010A Resolution" and, collectively with the Resolution, the "Resolutions"). In addition to the Series 2010A Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance costs of the Finance Fund Purposes. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. The Series 2010A Bonds are the initial issuance of Bonds.

The Resolution permits the Authority to secure obligations ("Parity Reimbursement Obligations") to any provider of an Ancillary Bond Facility (a "Facility Provider") by a lien and pledge of the Pledged Property on a parity with the Bonds and permits obligations to be issued under other trust documents and secured by a lien or pledge on, or right with respect to, the Pledged Property that is neither prior to nor equal with that of the Resolution.

Payment of and Security for the Bonds

The Bonds, including the Series 2010A Bonds, are special revenue obligations of the Authority payable from amounts to be paid to The Bank of New York Mellon, as trustee (the "Trustee") pursuant to the Enabling Act and the Financing Agreement. The Bonds are payable solely from "Pledged Property" consisting generally of:

(i) all of the Authority's right, title and interest in and to: the Financing Agreement (other than (1) the Authority's right to receive the payment of Authority's Annual Administrative Fee, (2) the right of the Authority, subject to the Resolution, to agree to certain supplements to or the amendments of the Financing Agreement, and (3) the right of the Authority to enforce the provisions of any Financing Agreement independently of the Trustee, including the right of the Authority to enforce the obligation of the Chair to levy Assessments and make Annual Debt Service Payments but solely from the Assessments as and when collected, without limiting the right of the Trustee to enforce any obligation of the Chair, the Commissioner or the Authority under any Financing Agreement for the benefit of Bondholders);

(ii) the Revenues, which are comprised of (A) the "Annual Debt Service Payment" (as defined immediately below) which, pursuant to the Resolution and the Financing Agreement, are required to be paid to the Trustee, (B) payments paid by any Facility Provider, including a Qualified Swap Provider, and (C) all earnings on the investment of amounts held in the funds and accounts established and held by the Trustee under the Resolution except the Arbitrage Rebate Fund; and

(iii) any funds and accounts established under the Resolution, other than the Finance Fund and Arbitrage Rebate Fund. The Authority reserves the right by a Supplemental Resolution to create additional funds and accounts solely for the benefit of one or more Series of Bonds.

See “PART 1 – INTRODUCTION – Payment and Security for the Bonds”, “PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security for the Bonds” and “APPENDIX A – CERTAIN DEFINITIONS.”

The “Annual Debt Service Payment” consists generally of the sum of following items payable from Assessments imposed in the applicable calendar year:

- (a) “Debt Service” consisting generally of the sum of the following amounts payable by the Authority from Assessments to be levied in the calendar year on account of the Bonds and Parity Reimbursement Obligations:
 - (i) interest on the Series 2010A Bonds;
 - (ii) the interest component, if any, of Parity Reimbursement Obligations;
 - (iii) the principal, Sinking Fund Installments and Redemption Price, if any, due on the Bonds;
 - (iv) the Principal component, if any, due on any Parity Reimbursement Obligations; and
 - (v) with respect to outstanding short-term Bonds issued in anticipation of Bonds (“Notes”), any required or scheduled amortization payment of the principal amount thereof and interest thereon.
- (b) “Associated Costs” consisting generally of the total amount payable from Assessments levied in a calendar year on account of:
 - (i) those amounts, if any, payable in connection with any Ancillary Bond Facility (the “Annual Ancillary Bond Facility Payments”);
 - (ii) the “Annual Administrative Fee”, which consists collectively of the amount payable to the Authority for (A) a portion of the general administrative and overhead expenses of the Authority allocated in accordance with a formula established by the Authority for the services performed by the Authority in connection with the issuance of the Bonds for any Finance Fund Purposes; and (B) all other reasonable and necessary costs, expenses and charges incurred by the Authority in carrying out its duties under the Financing Agreement, or in enforcing the Financing Agreement, including, without limitation, Operating Expenses, provided, however that the Annual Administrative Fee shall not include any of the above costs, expenses or charges to the extent that they are otherwise included as Associated Costs;
 - (iii) fees payable to the Trustee;
 - (iv) any amounts needed to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement;
 - (v) the Rebate Amount in excess of the amount available in the Arbitrage Rebate Fund;
 - (vi) any payment required to be made by the Authority under a qualified interest rate exchange agreement as a result of a downgrade of a rating or other such termination

event adverse to the Authority that arose in a calendar year prior to the year in which such payment is due (a “Qualified Termination Payment”);

(vii) any additional amounts needed to provide total Assessments in an amount equal to 110% of the amount of the projected Annual Debt Service Payment (excluding this coverage factor) to be paid during the calendar year;

(viii) Operating Expenses; and

(ix) all other costs of any nature incurred by the Authority in connection with the Financing Agreement or pursuant thereto not otherwise included in the Annual Administrative Fee; all or a portion of the annual operating costs of the Office, the costs of any independent audits and any other costs for the implementation of Assessments and the issuance of Bonds.

See “APPENDIX A – CERTAIN DEFINITIONS.”

The Authority has no taxing power. Pursuant to the Enabling Act, neither the Series 2010A Bonds nor any Ancillary Bond Facility shall constitute a debt or moral obligation of the State nor a State supported obligation within the meaning of any constitutional or statutory provision. Neither a pledge of the faith and credit of the State nor the taxing power of the State is pledged to the payment of principal, premium, if any, or interest on the Series 2010A Bonds. The State and the Authority shall not be liable to make any payments thereon nor shall any Series 2010A Bond or any Ancillary Bond Facility be payable out of any funds or assets other than Pledged Property.

Assessments and Pledged Assessments

On or before January 1 of each year, commencing January 1, 2011, the Authority is required to certify to the Chair and the Commissioner the Annual Debt Service Payment for the calendar year beginning on January 1. Pursuant to the Enabling Act and the Resolution, “Pledged Assessments” are that portion of the Assessments that are required to be assessed, collected and applied in accordance with the provisions of the Financing Agreement and pledged to Annual Debt Service Payment and are deemed the first monies received from Assessments levied and collected in each year.

To provide for the payment of the Annual Debt Service Payment, the Chair is required to levy and collect Assessments in an amount equal to the greater of:

- (a) the sum of:
 - (i) an amount equal to 150% of the total disbursements made from the Fund during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or Waiver Agreements funded by Bond proceeds and related earnings), less the amount of the net assets in the Fund as of December 31st of the preceding calendar year; and
 - (ii) the amount projected to be sufficient to cover the Annual Debt Service Payment to be paid during the calendar year, as calculated in accordance with the Financing Agreement; or
- (b) an amount equivalent to 110% of the amount projected to be sufficient to cover the Annual Debt Service Payment (excluding the coverage factor) to be paid during the calendar year by the Authority, as calculated in accordance with the Financing Agreement.

In accordance with the Enabling Act and the Resolutions and pursuant to the Financing Agreement, the Chair is obligated to deposit, as received, into the Assessments Receipts Account established under the Financing

Agreement and held by the Commissioner all amounts received by the Chair from the Payers arising from the imposition of the Assessments. The Commissioner is obligated upon receipt of Assessments in an amount equal to the total Annual Debt Service Payment to promptly transfer such amount of Pledged Assessments to the Trustee for deposit in the Revenue Fund established under the Resolution (the “Revenue Fund”) and shall not allow any Assessments to be used other than for such deposit until the total amount of Assessments equal to the Annual Debt Service Payment is deposited each calendar year. See “PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Payment of the Bonds – Assessments.”

Debt Service Reserve Fund

The Resolution establishes the Debt Service Reserve Fund, which is to be held by the Trustee and applied solely for the purposes specified in the Resolution and pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds. Pursuant to the Resolutions, the Debt Service Reserve Fund Requirement for the Series 2010A Bonds is \$9,844,398.93, which is equal to one half of the greatest amount required in any twelve month period to pay the sum of the principal and Sinking Fund Installments of and interest on the Series 2010A Bonds.

The Resolution permits the Authority, subject to Rating Confirmation with respect to any then Outstanding Bonds, to issue additional Bonds without any additional deposit to the Debt Service Reserve Fund or an increase in the Debt Service Reserve Fund Requirement.

See “PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Security for the Bonds – Debt Service Reserve Fund.”

State Covenant

Pursuant to the Enabling Act and under the Resolution, the State, solely with respect to the resources of the Fund and as set forth in the Financing Agreement, makes covenants with the Purchasers and all subsequent Owners and transferees of Bonds. Such covenants include covenants to the effect that:

- (a) in the event Bonds are sold as federally tax-exempt bonds, the State shall not take any action or fail to take action that would result in the loss of such federal tax exemption on such Bonds;
- (b) the State will cause the Board to impose, charge, raise, levy, collect and apply the Pledged Assessments and Revenues for the payment of Annual Debt Service Payment due in each year in which Bonds are Outstanding;
- (c) the State will not materially limit or alter the duties imposed on the Board, the Authority and other officers of the State by the Financing Agreement with respect to application of Pledged Assessments for the payment of Annual Debt Service Payment; and
- (d) the State will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the appropriate officers of the State to impose, maintain, charge or collect the Pledged Assessments and other Revenues constituting the Pledged Property.

None of the covenants with Purchasers precludes the State from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the character of the Pledged Assessments or Revenues or to substitute like or different sources of assessments, taxes, fees, charges or other receipts as pledged revenues if and when adequate provision is made by law for the protection of the Holders of Outstanding Bonds, including changing or altering the method of establishing the Assessments.

The Enabling Act also provides, and the State has covenanted, that prior to the date which is one year and one day after the Authority no longer has Bonds Outstanding, the Authority shall have no authority to file a voluntary petition under Chapter 9 of the Federal Bankruptcy Code.

The Enabling Act provides that each of the State's covenants is a contract of the State with the Bondholders and as such may be and has been included in the Resolution. See "PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – State Covenants; Limitations on State's Power to Change Pledged Assessments" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS."

The Authority

The Authority is a public benefit corporation of the State and pursuant to the Enabling Act and the Financing Agreement has the statutory authority and responsibility for issuing the Bonds. See "PART 11 – THE AUTHORITY."

PART 2 – DESCRIPTION OF THE SERIES 2010A BONDS

General Description

The Series 2010A Bonds will be issued pursuant to the Enabling Act, the Resolution and the Series 2010A Resolution. The Series 2010A Bonds will be dated the date of delivery, will bear interest from that date (payable June 1, 2011 and on each December 1 and June 1 thereafter) at the rates per annum and will mature on December 1 of each of the designated years in the principal amounts shown on the inside cover page of this Official Statement. The Series 2010A Bonds are subject to mandatory redemption prior to maturity as more fully described below.

The Series 2010A Bonds will be issued as fully-registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2010A Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2010A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2010A Bonds, the Series 2010A Bonds will be exchangeable for other fully registered Series 2010A Bonds in any other authorized denominations of the same maturity without charge except for the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" below.

Interest on the Series 2010A Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as their names appear on the registry books of the Trustee at the close of business on the 15th day (whether or not a Business Day) next preceding the applicable interest payment date (the "Record Date"); provided, however, that interest on Bonds of a Series may be authorized to be paid, at the option of the registered owner of at least one million dollars (\$1,000,000) in principal amount of Bonds of such Series, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has not less than five (5) days prior to the Record Date for such Bonds, directed the Trustee to wire such interest payment. The principal or Redemption Price of the Series 2010A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee upon presentation and surrender of such Bonds. As long as the Series 2010A Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" below.

Mandatory Redemption

The Series 2010A Bonds maturing on December 1, 2020 are subject to mandatory sinking fund redemption, in part, on each of the dates and in the respective principal amounts set forth below, at a Redemption Price of 100.00% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of Series 2010A Bonds specified for each of the dates shown below:

Term Bond
Maturing December 1, 2020

<u>Year</u>	<u>Principal Amount</u>
2016	\$8,235,000
2017	8,645,000
2018	9,080,000
2019	9,530,000
2020 [†]	10,010,000

[†] Stated maturity.

The Authority may from time to time direct the Trustee to purchase Series 2010A Bonds maturing on December 1, 2020, at or below par plus accrued interest to the date of such purchase, and apply any Series 2010A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required principal payment or of any Sinking Fund Installment on such Series 2010A Bonds. To the extent the Authority's obligation to make Sinking Fund Installments in any particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2010A Bonds will be reduced for such year.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2010A Bonds. The Series 2010A Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010A Bond certificate will be issued for each maturity of the Series 2010A Bonds, each in the aggregate 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, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC", "FICC", "GSCC", "MBSCC", and "EMCC", respectively, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, "Participants").

The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtc.com or www.dtc.org.

Purchases of Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in any of the Series 2010A Bonds, except in the event that use of the book entry system for the Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of the Series 2010A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other nominee) will consent or vote with respect to Series 2010A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2010A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Series 2010A Bonds at any time by giving notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2010A Bond certificates are required to be delivered as described in the Resolution.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2010A Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2010A Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is not in effect, Series 2010A Bond certificates will be delivered as described in the Resolution.

Each person for whom a Participant acquires an interest in the Series 2010A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2010A BONDS.

So long as Cede & Co. is the registered owner of the Series 2010A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2010A Bonds (other than under the captions "TAX MATTERS" and "CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010A Bonds.

Any references to any action required or permitted by the Beneficial Owner shall relate only to those permitted by act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2010A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment of and security for the Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Enabling Act, the Resolutions and the Financing Agreement for a more complete description of such provisions. Copies of the Resolutions and the Financing Agreement are on file with the Authority and the Trustee. For a more complete statement of the rights, duties and obligations of the parties thereto, see also "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS."

General

The Bonds issued under the Resolution, including the Series 2010A Bonds, are special revenue obligations of the Authority payable solely from the Pledged Property. The Resolution permits the Authority to secure by a lien on and pledge of Pledged Property, Parity Reimbursement Obligations to any Facility Provider on a parity with the Bonds. The aggregate principal amount of Bonds which may be issued pursuant to the Resolution is not limited except as so provided in the Enabling Act, as it may be amended from time to time. The Authority reserves the right to issue bonds, notes or other obligations pursuant to trust documents other than the Resolution, so long as such bonds, notes or other obligations are not entitled to a charge or lien on, or right with respect to, the Pledged Property that is prior to or equal to that of the Resolution.

The Authority has no taxing power. Pursuant to the Enabling Act, neither the Bonds nor any Ancillary Bond Facility shall constitute a debt or moral obligation of the State or a State supported obligation within the meaning of any constitutional or statutory provision. Neither the faith and credit of the State nor the taxing power of the State is pledged to the payment of principal, premium or interest on the Series 2010A Bonds. The State and the

Authority shall not be liable to make any payments thereon nor shall any Bond or any Ancillary Bond Facility be payable out of any funds or assets other than the Pledged Property.

Payment of the Bonds

Assessments and Pledged Assessments

On or before January 1 of each year, commencing January 1, 2011, the Authority is required to certify to the Chair and the Commissioner the Annual Debt Service Payment for the calendar year beginning January 1. Pursuant to the Enabling Act and the Resolution, "Pledged Assessments" including the right to receive same are pledged to Annual Debt Service Payment and are deemed the first monies received on account of Assessments in each year. The "Pledged Assessments" consist generally of that portion of the Assessments that are required to be assessed, collected and applied in accordance with the provisions of the Financing Agreement and that are pledged for the payment of the Annual Debt Service Payment. See "APPENDIX A – CERTAIN DEFINITIONS."

To provide for the payment of the Annual Debt Service Payment, the Chair is required to levy and collect Assessments in an amount equal to the greater of:

- (a) the sum of:
 - (i) an amount equal to 150% of the total disbursements made from the Fund during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or Waiver Agreements funded by bond proceeds and related earnings), less the amount of the net assets in the Fund as of December 31st of the preceding calendar year; and
 - (ii) the amount projected to be sufficient to cover Annual Debt Service Payment to be paid during the calendar year by the Authority, as calculated in accordance with the Financing Agreement; or
- (b) an amount equivalent to 110% of the amount projected to be sufficient to cover Annual Debt Service Payment (excluding the coverage factor), to be paid during the calendar year by the Authority, as calculated in accordance with the Financing Agreement.

Currently the amount determined under clause (a) above is greater than the amount determined under clause (b). However, as a result of the closure of the Fund, settlement of claims through Waiver Agreements and the potential assumption of liability by Payers under Contract Awards, the total disbursements from the Fund are expected to decrease with the result that for purposes of calculating the Assessment the amount determined under clause (b) above may become the greater amount.

On or before February 1 of each year commencing February 1, 2011, the Chair will notify the Authority and the Commissioner of the receipt and acceptance of the certification of the Annual Debt Service Payment filed pursuant to the Financing Agreement. To the extent the Chair requests reconciliation of the amounts in the certification pursuant to the Financing Agreement, the Chair, the Commissioner and the Authority have agreed in the Financing Agreement to consult and resolve any difference, promptly and no later than March 1 of each year.

On or before March 1 of each year, commencing March 1, 2011, the Chair will notify the Authority and the Commissioner of the date on which the Assessments will be imposed, which date will not be later than March 15 of each year. On or before March 1 of each year, commencing March 1, 2011, the Chair will provide the Authority, the Commissioner, the Director of the Budget and the Trustee with a statement showing the total amount of the proposed Assessments, together with the basis for calculation thereof and certifying that the proposed Assessments comply with the requirements of the Financing Agreement, the Enabling Act and the Chair's notice of acceptance of the Authority's annual certification.

On or before March 15 of each year, commencing March 15, 2011, the Chair will impose and bill the Assessments. Assessments may not be imposed to provide for any purpose other than those identified in the Enabling Act, but will include amounts that may be necessary to account for any deficiency in collections.

The Commissioner is required to deposit all payments of Assessments received from Payers into the Assessments Receipts Account, in accordance with the Financing Agreement, on the date of receipt thereof by the Commissioner or as promptly thereafter as practicable and invest such amounts in Permitted Investments but subject to the applicable provisions of the State Finance Law. Assessments receipts that cannot be identified immediately as exclusively on account of the Fund are required to be deposited in the Clearing Account established under the Financing Agreement and maintained by the Commissioner (the "Clearing Account"). As soon as any amounts on deposit in the Clearing Account are identified as Assessments, such amounts are required to be transferred to the Assessments Receipts Account.

The Commissioner, immediately once the total amount of the Annual Debt Service Payment has been deposited in the Assessments Receipt Account, is required to transfer such amount of Pledged Assessments for deposit into the Revenue Fund held by the Trustee. The Commissioner may not allow any amounts on deposit in the Assessments Receipt Account to be diverted, appropriated, applied or credited for any purpose other than for the transfer and deposit to the Revenue Fund until the total amount of such Annual Debt Service Payment due under the Financing Agreement has been so transferred and deposited in accordance with such Financing Agreement. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT."

See "PART 8 – ASSESSMENTS – Enforcement Rights" for a discussion of the Chair's rights to enforce collection of the Assessments.

Flow of Funds

The Trustee is required, upon receipt from the Commissioner of the Annual Debt Service Payment, to deposit such Annual Debt Service Payment and other Revenues in the Revenue Fund and then to apply such Revenues in the following order of priority:

First: To the credit of the Debt Service Account during the period beginning April 1 preceding the next succeeding Bond Year until collected, the amount, if any, necessary to make the amount on deposit in the Debt Service Account equal to the Debt Service including principal of and interest on Parity Reimbursement Obligations, but excluding certain Associated Costs becoming due in the next succeeding Bond Year;

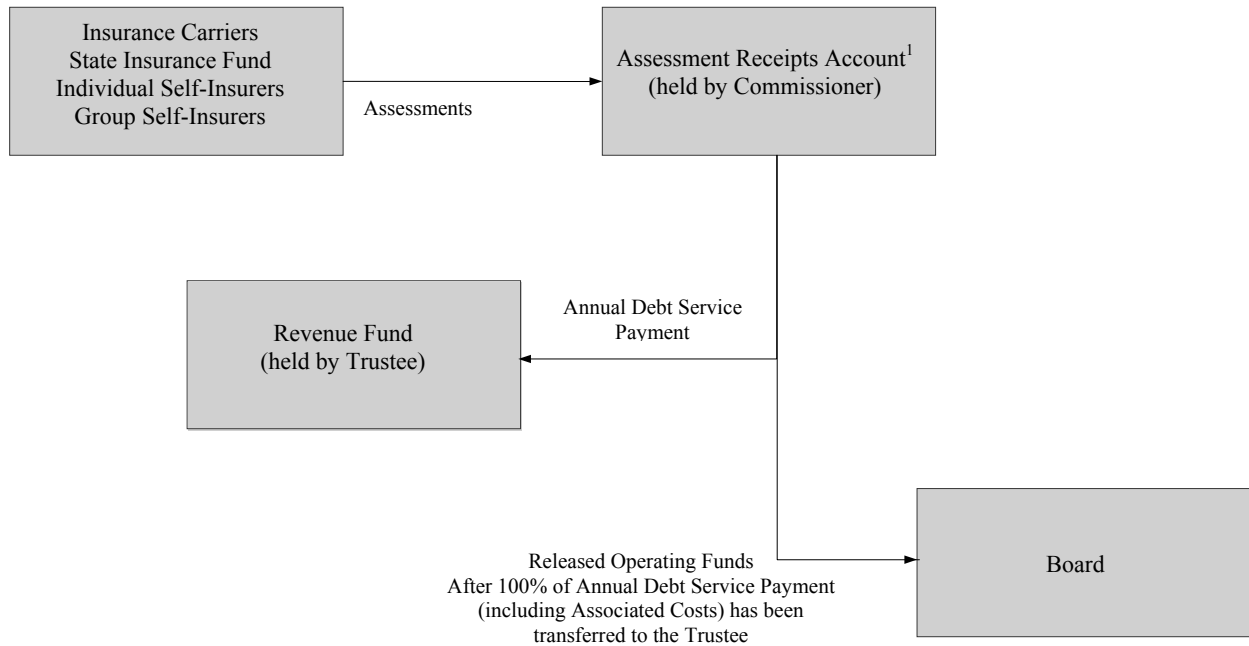
Second: Upon direction of an Authorized Officer of the Authority to each Facility Provider (excluding certain Associated Costs and Parity Reimbursement Obligations) for payments due under any Ancillary Bond Facility provided by such Facility Provider, with such amount set forth in such direction constituting the "Annual Ancillary Bond Facility Payments";

Third: In the event of any prior withdrawal from or deficiency in the Debt Service Reserve Fund, to the Debt Service Reserve Fund, the amount necessary to make the amount on deposit in such Fund equal to the Debt Service Reserve Fund Requirement; and

Fourth: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the Rebate Amount set forth in such direction.

After making the payments described in the preceding paragraph, the balance of the Revenues are required to be applied, pursuant to a Certificate of an Authorized Officer, to the payment of any remaining Associated Costs, including the Annual Administrative Fee and, upon the direction of an Authorized Officer of the Authority, are required to be paid by the Trustee to the Authority in accordance with the Financing Agreement, free and clear of the lien and pledge of the Resolution or remain in the Revenue Fund.

Flow of Funds



¹ Assessments receipts that cannot be identified immediately as exclusively on account of the Fund are required to be deposited in the Clearing Account established under the Financing Agreement and maintained by the Commissioner (the “Clearing Account”). As soon as any amounts on deposit in the Clearing Account are identified as Assessments, such amounts are required to be transferred to the Assessments Receipts Account.

Security for the Bonds

General

Payment of the principal, Sinking Fund Installments and interest on the Bonds, including the Series 2010A Bonds, will be secured by the Pledged Property (as defined below). The security for the Series 2010A Bonds will be for the benefit of all other Bonds and Notes issued under the Resolution, which Bonds and Notes will rank on a parity and be secured equally and ratably with each other and with the Series 2010A Bonds. The aggregate principal amount of Bonds which may be issued pursuant to the Resolution is not limited except as so provided in the Enabling Act, as it may be amended from time to time.

In addition, the Authority may incur obligations or indebtedness to any Facility Provider which are payable from the Revenues on a parity with the Bonds and which are Parity Reimbursement Obligations secured by a lien on and pledge of the Pledged Property on a parity with the lien and pledge made by the Resolution, without preference, priority or distinction over the rights of the Holders of the Bonds or as Annual Ancillary Bond Facility Payments payable from the Revenue Fund. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

Pledged Property

The Bonds, including the Series 2010A Bonds, are special revenue obligations of the Authority payable from amounts to be paid annually to the Trustee pursuant to the Enabling Act and the Financing Agreement, solely from “Pledged Property” consisting of:

- (a) all of the Authority’s right, title and interest in and to the Financing Agreement (other than (A) the Authority’s right to receive the payment of Authority’s Annual Administrative Fee,

(B) the right of the Authority, subject to the Resolution, to agree to certain supplements to or amendments of the Financing Agreement, and (C) the right of the Authority to enforce the provisions of any Financing Agreement independently of the Trustee, including the right of the Authority to enforce the obligation of the Chair to levy Assessments and make Annual Debt Service Payment but solely from the Assessments as and when collected, without limiting the right of the Trustee to enforce any obligation of the Chair, the Commissioner or the Authority under any Financing Agreement for the benefit of Bondholders);

(b) the Revenues; and

(c) any funds and accounts pledged under the Resolution, other than the Finance Fund and Arbitrage Rebate Fund. The Authority reserves the right by a Supplemental Resolution to create additional funds and accounts solely for the benefit of one or more Series of Bonds. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

Debt Service Reserve Fund

The Resolution establishes the Debt Service Reserve Fund, which is to be held by the Trustee and applied solely for the purposes specified in the Resolution and pledged to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds. Pursuant to the Resolutions, the Debt Service Reserve Fund Requirement for the Series 2010A Bonds is \$9,844,398.93, which is equal to one-half of the greatest amount required in any twelve month period to pay the sum of the principal and Sinking Fund Installments of and interest on the Series 2010A Bonds. The Debt Service Reserve Fund for the Series 2010A Bonds is required to be maintained at the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund will be funded upon issuance of the Series 2010A Bonds with proceeds of the Series 2010A Bonds.

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Account established under the Resolution (the “Debt Service Account”) in the Revenue Fund whenever the amount in the Debt Service Account on the fourth Business Day preceding each interest payment date is less than the amount which is necessary to pay the principal and Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Bonds payable on such interest payment date. If the moneys and investments held for the credit of the Debt Service Reserve Fund on December 2 of a Bond Year are less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Chair of such deficiency. The amount necessary to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement shall be deposited in the Debt Service Reserve Fund in one (1) installment from the next Assessments as required by the Resolution.

The Resolution permits the Authority, subject to a Rating Confirmation with respect to any then Outstanding Bonds, to issue additional Bonds without any additional deposit to the Debt Service Reserve Fund or an increase in the Debt Service Reserve Fund Requirement. The Resolution also permits the Authority to satisfy all or a part of the Debt Service Reserve Requirement through the deposit of a surety bond, insurance policy, letter of credit or similar facility in accordance with the Resolution. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

Ability to Grant Rights to Facility Providers

The Resolution permits the Authority to secure Parity Reimbursement Obligations by a lien on and pledge of Pledged Property on a parity with the Bonds. In addition, the Authority may grant certain consent and other rights to a Facility Provider. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

Additional Bonds

The Authority is authorized under the Resolution to issue additional Bonds to the extent permitted pursuant to a Series Resolution secured equally and ratably by the Pledged Property. See “APPENDIX C – SUMMARY OF

CERTAIN PROVISIONS OF THE RESOLUTIONS.” The aggregate principal amount of Bonds which may be issued pursuant to the Resolution is not limited except as so provided in the Enabling Act, as it may be amended from time to time.

Subordinated Indebtedness Resolution

The Authority reserves the right to issue bonds, notes and other obligations pursuant to trust documents other than the Resolution, so long as such bonds, notes and other obligations are not entitled to a charge or lien on, or right with respect to, the Pledged Property that is prior to or equal to that of the Resolution.

State Covenants; Limitations on State’s Power to Change Pledged Assessments

Pursuant to the Enabling Act and under the Resolution, the State, solely with respect to the resources of the Fund and as set forth in the Financing Agreement, covenants with the Purchasers and all subsequent Owners and transferees of Bonds in consideration of the acceptance of the payment of the Bonds, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action or proceeding on behalf of the Owners of the Bonds, are fully met and discharged or unless expressly permitted or otherwise authorized by the Financing Agreement and the Resolutions, as follows:

- (i) that in the event Bonds are sold as federally tax-exempt bonds, the State shall not take any action or fail to take action that would result in the loss of such federal tax exemption on said Bonds;
- (ii) that the State will cause the Board to impose, charge, raise, levy, collect and apply the Pledged Assessments pledged for the payment of Annual Debt Service Payment due in each year in which Bonds are Outstanding; and
- (iii) further, that the State:
 - (A) will not materially limit or alter the duties imposed on the Board, the Authority and other officers of the State by the Financing Agreement and the proceedings authorizing the issuance of Bonds with respect to application of Pledged Assessments for the payment of Annual Debt Service Payment;
 - (B) will not issue any bonds, notes or other evidences of indebtedness, other than pursuant to the Enabling Act, having any rights arising out of the Enabling Act or secured by any pledge of or other lien or charge on the Pledged Property for the payment of Annual Debt Service Payment;
 - (C) will not create or cause to be created any lien or charge on the pledged Revenues, other than a lien or pledge created thereon pursuant to the Enabling Act;
 - (D) will carry out and perform, or cause to be carried out and performed, each and every promise, covenant, agreement or contract made or entered into by the Financing Agreement, by the Authority or on its behalf with the Owners of any Bonds;
 - (E) will not in any way impair the rights, exemptions or remedies of the Owners; and
 - (F) will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the appropriate officers of the State to impose, maintain, charge or collect the Assessments and other revenues or receipts constituting the Revenues as may be necessary to produce sufficient revenues to fulfill the terms of the proceedings authorizing the issuance of the Bonds, including Pledged Assessment coverage requirements;

provided, however, (i) the remedies available to the Authority and the Bondholders for any breach of the pledges and agreements of the State described in this paragraph shall be limited to injunctive relief, (ii) the provisions described in this paragraph do not prevent the Authority from issuing evidences of indebtedness (A) which are secured by a pledge or lien which is, and shall on the face thereof, be expressly subordinate and junior in all respects

to every lien and pledge created by or pursuant to the Resolution, or (B) which are secured by a pledge of or lien on moneys or funds derived on or after the date every pledge or lien thereon created by or pursuant to the Resolution is discharged and satisfied, and (iii) none of the provisions described in this paragraph preclude the State from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the character of the Pledged Assessments or Revenues or to substitute like or different sources of assessments, taxes, fees, charges or other receipts as pledged revenues if and when adequate provision is made by law for the protection of the Holders of Outstanding Bonds, including changing or altering the method of establishing the Assessments.

The Enabling Act also provides, and the State has covenanted, that prior to the date which is one year and one day after the Authority no longer has bonds issued pursuant to the Enabling Act outstanding, the Authority shall have no authority to file a voluntary petition under Chapter 9 of the Federal Bankruptcy Code.

The Enabling Act provides that each of the State’s covenants is a contract of the State with the Bondholders and as such may be and has been included in the Resolution. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

PART 4 – PLAN OF FINANCE

The Series 2010A Bonds are being issued to: (a) fund “lump sum” payments under Waiver Agreements (including the reimbursement of the Chair for amounts previously paid pursuant to Waiver Agreements); (b) provide moneys sufficient to pay a portion of the interest accruing on the Series 2010A Bonds; (c) make a deposit to the Debt Service Reserve Fund in order to satisfy the Debt Service Reserve Fund Requirement; and (d) pay Costs of Issuance of the Series 2010A Bonds and other Financing Costs. See “PART 5 – ESTIMATED SOURCES AND USES OF FUNDS.”

PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Series 2010A Bonds are as follows:

Sources of Funds

Principal Amount of Series 2010A Bonds.....	\$ 102,395,000
Net Reoffering Discount.....	<u>(1,082,669)</u>
Total Sources.....	<u>\$ 101,312,331</u>

Uses of Funds

Deposit to Finance Fund.....	\$ 85,000,000
Deposit to Debt Service Reserve Fund.....	9,844,399
Capitalized Interest.....	1,762,426
Costs of Issuance.....	3,884,563
Underwriters’ Discount.....	<u>820,943</u>
Total Uses.....	<u>\$ 101,312,331</u>

PART 6 – OVERVIEW OF WORKERS’ COMPENSATION IN NEW YORK STATE

Workers’ Compensation Generally

The State established its compulsory no-fault workers’ compensation system in 1914. The State’s workers’ compensation system is designed to pay for medical treatment of workers and to provide wage replacement benefits, also known as indemnity benefits, to workers arising from work related injuries and disease. All private and public employers in the State are required to provide workers’ compensation coverage to their employees. Employers may provide coverage (1) by insuring through the State Insurance Fund, (2) by obtaining and maintaining workers’ compensation insurance from a private insurance carrier authorized to offer workers’ compensation insurance in the State, and (3) by self-insuring in accordance with the Board’s requirements.

The Board was established in 1914. The mission of the Board is to administer equitably and fairly the provisions of the State Workers' Compensation Law, including workers' compensation benefits, disability benefits, volunteer firefighters' benefits, volunteer ambulance workers' benefits, and volunteer civil defense workers' benefits law on behalf of the State's injured workers and their employers. The Board maintains 11 district offices across the State and operates service centers throughout the State.

Annually the Chair submits an estimated budget of expenditures for the succeeding fiscal year to the Division of Budget for approval and inclusion in the Executive Budget and appropriation. The Board's costs are not funded from the State's General Fund. The Board's operations are funded from general assessments collected from Insurance Carriers, the State Insurance Fund and Self-Insurers. The Board's budget for fiscal year 2010-2011 is \$204,374,000.

Annually as soon as practicable after April 1, the total direct and indirect costs incurred by the Board in administering the State Workers' Compensation Law during the prior fiscal year are determined. The Chair assesses and collects the prior year's expenses from Insurance Carriers, the State Insurance Fund and Self-Insurers in four installments during the succeeding fiscal year. The assessments collected for costs incurred by the Board in administering the State Workers' Compensation Law are deposited in a special revenue fund and pursuant to the State Finance Law legally restricted to disbursement for payment of the Board's expenses.

In 2007, the State adopted the Enabling Act which constitutes a comprehensive reform of the State Workers' Compensation Laws. The Enabling Act provides, among other things, for an increase in maximum weekly indemnity benefit to claimants and a new 10 year time limit for indemnity benefit payments to workers for certain lifetime benefit cases. In addition, the Enabling Act includes significant changes to the Fund. See "PART 7 – THE FUND."

PART 7 – THE FUND

The Fund is a workers' compensation fund over which the Board has oversight. The Fund is used to reimburse certain claims for indemnity benefits and medical payments for qualified second injuries of workers. The Fund is administered by the Board and its funds and accounts are under the custodial control of the Commissioner. It is funded through the imposition of Assessments on Payers.

The Fund was established in 1916 to encourage the hiring of persons with prior disabilities by relieving employers and insurers of risks of excessive workers' compensation costs. The Fund was originally established to encourage the employment of persons with prior injuries by limiting the liability an employer would assume in the event of a subsequent injury. In the early 1900s, employers were hesitant to hire injured workers for fear that a subsequent injury would give rise to expensive permanent disability payments if an injured worker who had sustained the loss of a limb or eye and was permanently and partially disabled at one place of employment, subsequently injured the other eye or limb while employed.

From 1916 to 1943, the Fund was used to pay for benefits only for the subsequent loss of a second limb or eye. In 1944-45, the coverage of the Fund was expanded to include payment of claims arising from the combination of the disabilities from a first and a subsequent injury that produced a greater disability than the disability produced by the second injury alone. Until 1984, the employer had to demonstrate that it knew of the first injury at the time of hire in order to be eligible to make a claim. That requirement was dropped in 1984, greatly expanding the scope of claims eligible to be submitted to and reimbursed by the Fund. As a result of the expanded scope of eligible claims, Assessments have increased significantly since 1984.

The following table sets forth the total disbursements from and the balance in the Fund as of December 31 in each of the years 2003 through 2009, as well as the Assessments for each of the years 2004 through 2010.

Year	(A) Prior Year Disbursements (in millions)	(B) Fund Balance December 31 of Prior Year (in millions)	(C) Current Year's Assessment 150% of A less B (in millions)
2010	\$542	\$207	\$607
2009	498	246	501
2008	488	279	452
2007	499	328	420
2006	538	211	596
2005	495	156	587
2004	433	166	483

The Enabling Act provides for closing of the Fund as of July 1, 2007. Until July 1, 2010, the Fund continued to accept claims for injuries or illnesses that occurred on or prior to June 30, 2007. To be eligible for reimbursement by the Fund, a second injury claim must be caused by both the prior permanent physical impairment and the subsequent injury, and be materially and substantially greater than the disability that would have resulted from the subsequent injury alone. The prior permanent physical impairment also must have “hindered,” in some way, the claimant’s employment.

In order to assess the unfunded liabilities of the Fund as the Enabling Act requires, the State, through the Division of Budget and the Board, retained Milliman. In its report to the Division of Budget, and solely to support the Fund’s compliance with the Enabling Act, Milliman estimated a range of reserve estimates. Milliman has represented to the Authority that the unfunded liability of the Fund was \$18.2 billion as of June 30, 2007. Based on the Milliman estimates and pursuant to the Enabling Act, the aggregate authorized principal amount of Bonds, other than refunding Bonds, may not exceed \$4,550,000,000. The Enabling Act may be amended from time to time to increase the aggregate principal amount of Bonds authorized.

The Office

The Enabling Act mandated that the Chair establish the Office under the Chair’s supervision with the purpose of closing the Fund as quickly and completely as possible in order to reduce or eliminate Assessments against Payers. The Office is authorized to negotiate “lump sum” settlements with claimants as an alternative to ongoing indemnity benefit payments and, subject to the Board’s approval, to enter into Waiver Agreements with such claimants. The Chair also may enter into Contract Awards with the State Insurance Fund, Insurance Carriers and Self-Insurers pursuant to which the State Insurance Fund or the respective Insurance Carrier or Self-Insurer assumes liability for and management, administration or settlement of certain claims in the Fund in exchange for a lump sum payment.

PART 8 – ASSESSMENTS

General

Pursuant to the Enabling Act and the Resolution, the Pledged Assessments are pledged to the Annual Debt Service Payment on the Bonds, including the Series 2010A Bonds. The Pledged Assessments are deemed the first monies received on account of Assessments in each year. See “PART 3 – SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Payment of the Bonds – Assessments” for a description of the procedure for the imposition, collection and application of the Assessments.

Prior to the Enabling Act, the annual Assessments were required to equal 150% of the total disbursements made from the Fund during the preceding calendar year, less the amount of the net assets on deposit in the Fund as of December 31 of the preceding calendar year.

The Enabling Act added a component to the methodology for computing Assessments to provide that the Assessments are required to be an amount equal to 150% of the total disbursements made from the Fund during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or Waiver Agreements funded by bond proceeds and related earnings), less the amount of the net assets in the Fund as of December 31 of the preceding calendar year, plus the amount projected to be sufficient to cover Annual Debt Service Payment to be paid during the calendar year by the Authority, as calculated in accordance with the Financing Agreement. The Enabling Act provides that the amount projected to be sufficient to cover Annual Debt Service may include a coverage factor.

The Financing Agreement makes provision for a coverage factor by requiring that Assessments shall be an amount equal to the greater of:

- (a) the sum of:
 - (i) an amount equal to 150% of the total disbursements made from the Fund during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or Waiver Agreements funded by Bond proceeds and related earnings), less the amount of the net assets in the Fund as of December 31st of the preceding calendar year; and
 - (ii) the amount projected to be sufficient to cover Annual Debt Service Payment to be paid during the calendar year by the Authority, as calculated in accordance with the Financing Agreement; or
- (b) an amount equivalent to 110% of the amount projected to be sufficient to cover Annual Debt Service Payment (excluding the coverage factor), to be paid during the calendar year by the Authority, as calculated in accordance with the Financing Agreement.

Assessments may be adjusted to reflect new information provided by Payers subsequent to receiving their Assessment bills (“Adjusted Assessments”). The following table includes the collection rates for Adjusted Assessments for the years 1989 through 2010.

Assessment Year	Assessments (in millions)	Collection Rate To-Date¹
2010	\$607.00	99.3% ²
2009	500.8	99.4
2008	451.8	98.7
2007	418.3	99.9
2006	596.4	99.6
2005	587.3	99.7
2004	481.5	99.7
2003	408.7	99.9
2002	376.6	99.7
2001	444.5	99.8
2000	409.2	99.5
1999	286.7	98.8
1998	234.8	98.4
1997	261.5	98.3
1996	289.0	98.5
1995	201.2	98.9
1994	106.4	99.1
1993	148.9	99.2
1992	87.0	97.3
1991	114.2	99.7
1990	75.3	98.6
1989	63.8	98.3

¹ Collection percentages for 1989-2002 reflect collections received through 2002. Data system was converted in 2002.

² As of October 31, 2010.

Allocation of the Assessments Among Classes of Payers

The Fund allocates the total amount of the Assessments to each class of the Payers in accordance with the provisions of the Enabling Act based on the share of total workers’ compensation indemnity benefits (which do not include medical benefits), excluding workers’ compensation indemnity benefits for which the Payers received reimbursement from the Fund. The Enabling Act requires that the Assessments be allocated to:

- (i) Insurance Carriers based upon the proportion that the total workers’ compensation indemnity benefits paid by all Insurance Carriers bore to the total workers’ compensation indemnity benefits paid by all Payers during the fiscal year which ended within said preceding calendar year;
- (ii) Self-Insurers (except Group Self-Insurers) and the State Insurance Fund based upon the proportion that the total workers’ compensation indemnity benefits paid by all Self-Insurers (except Group Self-Insurers) and the State Insurance Fund bore to the total workers’ compensation indemnity benefits paid by all Payers during the fiscal year which ended within said preceding calendar year; and
- (iii) Group Self-Insurers based upon the proportion that the total workers’ compensation indemnity benefits paid by all Group Self-Insurers bore to the total workers’ compensation indemnity benefits paid by all Payers during the fiscal year which ended within said preceding calendar year.

A reduction in participation in the Fund by a class of Payers will result in reallocation of Assessments to the other classes in subsequent calendar years.

The following table sets forth the share of Fund payments by each class of the Payers for the years 1999 through 2010.

<u>Year</u>	<u>Insurance Carriers</u>	<u>State Insurance Fund¹</u>	<u>Individual and Group Self-Insurers</u>	<u>Political Subdivision Self-Insurers¹</u>
2010	44.4%	21.4%	14.9%	19.3%
2009	43.2	21.4	15.3	20.1
2008	42.9	21.5	15.5	20.1
2007	43.4	20.9	15.8	19.9
2006	43.5	21.8	16.0	18.7
2005	43.9	23.4	14.7	18.0
2004	45.1	23.1	14.1	17.7
2003	46.6	22.7	13.1	17.5
2002	48.2	21.6	12.8	17.3
2001	44.9	26.7	12.0	16.3
2000	42.4	28.5	12.2	16.9
1999	42.7	27.7	12.3	17.3

¹ The State provides for the payment of workers' compensation benefits to its employees through an agreement with the State Insurance Fund whereby the State Insurance Fund administers and pays claims but is reimbursed by the State for all payments and an agreed amount for expenses. Data for the State Insurance Fund has been adjusted to exclude data related to State employee claims. Data for State employee claims is included instead under the column "Political Subdivision Self-Insurers".

The following table sets forth the top ten (10) Payers responsible for approximately 63.8% of total Assessments in 2010.

<u>Payer</u>	<u>Type</u>	<u>Assessment Estimate (in millions)</u>	<u>Share of Total Assessments</u>
State Insurance Fund	State Insurance Fund	\$129.9	21.4%
American International Group ¹	Insurance Carrier	67.3	11.1
State of New York (estimate) ²	Political Subdivision	38.1	6.3
Liberty Mutual Insurance Companies ¹	Insurance Carrier	37.7	6.2
City of New York	Political Subdivision	27.3	4.5
Hartford F & C Group ¹	Insurance Carrier	26.7	4.4
Travelers Group ¹	Insurance Carrier	20.0	3.3
Zurich Insurance Group	Insurance Carrier	14.6	2.4
AmTrust Group ¹	Insurance Carrier	13.5	2.2
Chubb and Son Inc. ¹	Insurance Carrier	12.1	2.0
		\$387.2	63.8%

¹ Includes affiliates.

² The State provides for the payment of workers' compensation benefits to its employees through an agreement with the State Insurance Fund whereby the State Insurance Fund administers and pays claims but is reimbursed by the State for all payments and an agreed amount for expenses. Data for the State Insurance Fund has been adjusted to exclude data related to State employee claims.

Allocation of Assessments to Individual Payers

After the aggregate amount of the Assessments has been allocated among each class of Payers, such allocated amount must then be further allocated to each of the individual Payers within such class. The methods for such further allocations to individual Payers are determined by statute and vary by class of Payer as follows:

Allocation Among Individual Insurance Carriers - Up to and including the Assessment for 2009, the aggregate amount of the Assessments allocated to the Insurance Carriers was further allocated to each individual Insurance Carrier based upon the proportion that the total “direct premiums written” by each such Insurance Carrier bore to the total “direct premiums written” reported by all Insurance Carriers during the fiscal year which ended within the preceding calendar year. For the purposes of the preceding sentence, “direct premiums written” means gross premiums for workers’ compensation insurance, including policy and membership fees, less return premiums and premiums on policies not taken. Effective January 1, 2010, the amount of the Assessments that is allocated to the Insurance Carriers is allocated to each individual Insurance Carrier based upon the proportion that the total standard premium reported by each such Insurance Carrier bore to the total “standard premium” reported by all Insurance Carriers during the fiscal year which ended within the preceding calendar year. For purposes of the preceding sentence, “standard premium” means the premium for workers’ compensation insurance, as defined by the Superintendent in consultation with the Board.

Allocation Among Self-Insurers (except Group Self Insurers) and the State Insurance Fund - The aggregate of the Assessments allocated to the Self-Insurers (including Political Subdivision Self-Insurers but excluding Group Self-Insurers) and the State Insurance Fund is further allocated to each Self-Insurer (except Group Self-Insurers) and the State Insurance Fund based upon the proportion the total compensation payments of such Self-Insurer or the State Insurance Fund bore to the total compensation payments made by the Self-Insurers (except Group Self-Insurers) and the State Insurance Fund during the State’s fiscal year which ended March 31 within the preceding calendar year.

Allocation Among Group Self-Insurers - The aggregate amount of the Assessments allocated to Group Self-Insurers is further allocated to each Group Self-Insurer based on the proportion of the amount which the “pure premium calculation” for each such Group Self-Insurer bore to the total pure premium calculation for all Group Self-Insurers for the calendar year which ended within the preceding State fiscal year. For purposes of the preceding sentence “pure premium calculation” means the State annual payroll as of December 31 of the preceding year by class code for each employer member of a Group Self-Insurer multiplied by the applicable loss cost for each class code as determined by the Superintendent in effect on December 31 of the preceding year.

Collection and Enforcement Rights

All Insurance Carriers and the State Insurance Fund are required to collect Assessments from their policyholders through a surcharge to each policyholder calculated based on the policyholder’s premiums in accordance with rules set forth by the Superintendent. Such surcharge is considered as part of premium for purposes prescribed by the Workers’ Compensation Law including, but not limited to, computing premium tax, reporting to the Superintendent, determining the limitation of expenditures for the administration of the State Insurance Fund and the cancellation by an Insurance Carrier, including the State Insurance Fund, of a policy for non-payment of premium.

If any Payer fails to pay any or all of its Assessment by the date such amount is due, the Chair is required pursuant to the Financing Agreement to collect or cause to be collected such overdue amount in accordance with applicable law and the procedures for collecting overdue Assessments that are no less forceful than those in effect on the date of the 2010 Financing Agreement. The Chair will keep a record of deficiencies in the payment of the Assessments in each year and will take such deficiencies into account in setting the Assessment in subsequent years. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT.”

Applicable law provides several mechanisms for the Chair to collect any unpaid Assessments. If a Payer fails to pay any or all of its Assessment on or before the date such amount is due (a “Delinquent Payer”), the Chair may offset the amount of the unpaid Assessment from any amounts otherwise payable to such Delinquent Payer by the Board and may request that the State or any other State agency offset the amount of the unpaid Assessment from

any amounts payable by it to such Delinquent Payer and remit such amount to the Board. The amounts that are subject to offset include, but are not limited to, reimbursement to the Delinquent Payer of amounts due under the Enabling Act, State income tax refunds and State aid payments. In addition, with respect to a Self-Insurer which is a Delinquent Payer, the Chair may deduct the amount of any unpaid Assessment from the security deposit of the applicable Delinquent Payer held by the Board. The Chair also may request that the State Attorney General commence a collection action against any Delinquent Payer. See “PART 17 – LITIGATION.”

Prior to making technical administrative changes to the procedures with respect to the collection of Assessments, or changes to such procedures to reflect changes in applicable law, the Financing Agreement requires that the Chair notify the Authority and the Commissioner in writing of such proposed change at least 20 Business Days prior to the date such change would take effect (or such lesser number of days as the Chair, the Commissioner and the Authority may agree). Such changes may take effect only if the Authority approves such changes in writing at least ten Business Days prior to the date any such change takes effect (or such lesser number of days as the Chair, the Commissioner and the Authority may agree). The Authority may approve a change if in the opinion of an Authorized Officer of the Authority such change does not materially and adversely affect the timely billing, collecting and enforcement of Assessments. Any change in such procedures with respect to the collection of Assessments other than a change so approved by the Authority requires an amendment to the Financing Agreement. The determination of the Authority as to whether to approve any change in such procedures with respect to the collection of Assessments is conclusive.

In the event an Insurance Carrier enters receivership pursuant to Article 74 of the State Insurance Law, the receiver of the Insurance Carrier’s estate may pay some or all of the Assessments from the general assets of the estate, but only if the estate has sufficient assets to make such payments, and, in the case of a liquidation, subject to the priority scheme set forth in Section 7434 of the State Insurance Law. Insurance Carriers are required to pay up to two (2%) percent of their reported premiums into the Workers’ Compensation Security Fund (the “Security Fund”) until the balance in the Security Fund is not less than \$74 million. As of October 31, 2010 the balance on deposit in the Security Fund is not less than \$74 million. Claims against insolvent Insurance Carriers typically are paid from the Security Fund. In the event that an Insurance Carrier is determined by a court to be insolvent, it is unclear whether the Security Fund would be authorized to pay Assessments on behalf of the Insurance Carrier.

PART 9 – PAYERS OF THE ASSESSMENTS

Insurance Carriers

Any stock corporation, mutual corporation and reciprocal insurer authorized to transact the business of workers’ compensation insurance in the State is permitted to be an Insurance Carrier in the State. The Superintendent regulates Insurance Carriers in three broad areas: (1) financial regulation, (2) rate regulation, and (3) consumer protection and market conduct. Financial regulation requires Insurance Carriers to hold minimum amounts of risk-based capital, and to establish and hold sufficient reserves to satisfy future claims, and limits the types and quality of investment assets held to meet capital reserve and surplus requirements. Rate regulation is designed to ensure that rates are not excessive, inadequate, unfairly discriminatory, destructive of competition, or detrimental to the solvency of Insurance Carriers. The Superintendent can take control of, place in receivership, and/or liquidate an Insurance Carrier that breaches minimum capital levels.

Insurance Carriers pass Assessments through to employers as a surcharge to the premium charged for workers' compensation policies. The following table presents for the years 2002 through 2010, the total Assessments, the percentage of the Assessments allocated to Insurance Carriers and the total amount of the Assessment paid by Insurance Carriers.

<u>Year</u>	<u>Total Assessments (in millions)</u>	<u>Percent of Total Assessments Allocated to Insurance Carriers</u>	<u>Total Assessments Paid by Insurance Carriers (in millions)</u>
2002	\$384	48.2%	\$185
2003	411	46.6	191
2004	483	45.1	218
2005	587	43.9	258
2006	596	43.5	259
2007	420	43.4	182
2008	452	42.9	194
2009	501	43.2	216
2010	607	44.4	271

The following table presents for 2010 for each of the top ten (10) largest Insurance Carriers, its share of the Insurance Carrier market based on the proportion its respective total direct written premiums bore to total direct written premiums of all Insurance Carriers, its Assessment and its share of total Assessments based on the proportion of the amount of its Assessments to the aggregate amount of Assessments.

	<u>2009 Direct Written Premiums¹ (in millions)</u>	<u>2009 Share of Insurance Carrier Market</u>	<u>2010 Assessment At 12.5% (in millions)</u>	<u>2010 Share of Total Assessments</u>
American International Group ¹	\$538.7	24.9%	\$67.3	11.1%
Liberty Mutual Insurance Companies ¹	301.7	13.9	37.7	6.2
Hartford F & C Group ¹	213.6	9.9	26.7	4.4
Travelers Group ¹	160.7	7.4	20.0	3.3
Zurich Insurance Group	116.7	5.4	14.6	2.4
AMTrust Group ¹	107.8	5.0	13.5	2.2
Chubb and Son Inc ¹	96.5	4.5	12.1	2.0
Utica National Insurance Group	54.3	2.5	6.8	1.1
CAN Insurance Group	51.3	2.4	6.4	1.1
Tower Group	6.6	.3	.8	<u>0.1</u>
Total				33.9%

¹ Includes affiliates.

An Insurance Carrier may discontinue writing workers' compensation insurance in the State at any time. Any Insurance Carrier that exits the State workers' compensation market during any calendar year remains liable for the payment of Assessments in the next succeeding calendar year but not for the payment of Assessments in any year thereafter. In subsequent years, the exit of such Insurance Carrier will result in reallocation of future Assessments to other Insurance Carriers.

State Insurance Fund

The State Insurance Fund was established by statute as part of the original Workers' Compensation Law enacted in 1914 to ensure the availability of low cost workers' compensation insurance to employers in the State.

The State Insurance Fund is a fund within the Department of Labor, now consisting of two separate “funds” -- the Workers’ Compensation Fund, created in 1914, and the Disability Benefits Fund, established in 1949.

The State Insurance Fund is a self-supporting insurance carrier that competes with private insurers in the workers’ compensation and disability benefits markets. By statute, the premiums that the State Insurance Fund charges for workers’ compensation insurance are required to “be fixed at the lowest possible rates consistent with the maintenance of a solvent fund and of reasonable reserves and surplus.”

The State Insurance Fund is the largest provider of workers’ compensation insurance in the State. Approximately 175,000 employers hold workers’ compensation policies of the State Insurance Fund as of October 31, 2010. Operating income is derived solely from insurance premiums and investments.

The State Insurance Fund bills for assessments as a separate component of premium billing to its policyholders. As required by statutory insurance accounting, the assessment portion of the bill is included in written premium for financial reporting purposes. As of October 1, 2007, the State Insurance Fund ceased billing policyholders for Assessments it pays pursuant to Workers’ Compensation Law Section 15(8) based on its judgment that it is fully reserved for these Assessments. The State Insurance Fund reserves the right to resume billing policyholders for Assessments in the event that a statutory or other change makes these reserves inadequate in its judgment. The State Insurance Fund continues to bill policyholders for other assessments it pays to the Workers’ Compensation Board.

The State Insurance Fund is required to make reports to the Superintendent in the same manner and at the same time as private insurance companies and is subject to the examination by the Superintendent for the purpose of determining the condition of its investments and adequacy of reserves and for such other matters as are under the Superintendent’s jurisdiction. The assets and liabilities of the State Insurance Fund Workers’ Compensation Fund are required by the Workers’ Compensation law to be accounted for separate from the assets and liabilities of the State Insurance Fund Disability Benefits Fund.

Certain information relating to the State Insurance Fund, which is a matter of public record, can be accessed through the State Insurance Fund’s website (www.nysif.com). See, *About NYSIF – Annual Report – 2009* which includes Statutory Basis Financial Statements Years Ended December 31, 2009 and 2008. Such information was not provided by the State Insurance Fund in connection with the offering of the Series 2010A Bonds and the State Insurance Fund is not providing any certification regarding the accuracy of such information as of its date or as of the date hereof or as of the date of delivery of the Series 2010A Bonds. Neither the Authority nor the Underwriters have undertaken to confirm and neither the Authority nor the Underwriters express any view as to such information.

Individual Self – Insurers

Generally. As required by the State Workers’ Compensation Law, the Board maintains a rigorous financial screening process for permitting private corporations to operate as Self-Insurers for workers’ compensation purposes. All Individual Self-Insurers must post a security deposit, the amount of which is based on five years of payroll history, ten years of workers’ compensation loss history and other criteria relevant to the particular type of business. Deposits may be in the form of cash, certain eligible securities, a surety bond, or a letter of credit. Providers of surety bonds and letters of credit also are subject to minimum financial quality standards. The minimum deposit is \$936,000, and the average deposit is approximately \$11.9 million. Two Individual Self-Insurers each have posted deposits exceeding \$100 million.

There are currently approximately 136 active parent companies with approximately 283 subsidiaries for a total of approximately 419 active Individual Self-Insurers.

The top ten Individual Self-Insurers in the aggregate accounted for less than 4% of the total Assessments levied in 2010.

The following table sets forth for 2010 for each of the ten (10) largest Individual Self-Insurers (other than Group Self-Insurers), the percentage that its Assessments bore to the aggregate Assessments allocated to all Individual Self-Insurers, the amount of its Assessments and the percentage that its Assessments bore to the aggregate Assessments.

	2009 Share of Individual Self-Insurer Market	2010 Assessments (in millions)	2010 Share of Total Assessments
Verizon New York	10.6%	\$5.4	0.9%
Consolidated Edison	9.4	4.8	0.8
General Motors Corp	4.6	2.4	0.4
Delphi Corp	3.3	1.7	0.3
Wegman's Food Market Inc.	2.6	1.3	0.2
Eastman Kodak Company	2.4	1.2	0.2
Waldbaum Inc. 1988	2.3	1.2	0.2
Federal Express Corp.	2.2	1.1	0.2
New Venture Gear Inc.	2.1	1.1	0.2
Macy's Inc.	1.9	1.0	<u>0.2</u>
Total			3.6%

Political Subdivision Self-Insurers

Political subdivisions of the State may elect to self-insure their workers' compensation obligation. A Political Subdivision Self-Insurer must file a notice of election with the Board accompanied by a resolution of its governing body stating that the political subdivision has elected to provide workers' compensation benefits through self-insurance. Political Subdivision Self-Insurers are not required to post security deposits with, or provide annual financial reports to, the Board. Assessments upon Political Subdivision Self-Insurers are payable from sources that include real property taxes. If a Political Subdivision Self-Insurer's failure to pay Assessments results in a judgment, the Political Subdivision Self-Insurer may issue general obligation bonds for the payment of such judgment.

Over 2,000 political subdivisions of the State provide workers' compensation through self-insurance. The State and the City of New York are Political Subdivision Self-Insurers and together they accounted for 12.0% of the total Assessments levied in 2010 and more than 56.4% of the total Assessments levied on Political Subdivision Self-Insurers in 2010.

The table below sets forth for 2010 for each of the ten (10) largest Political Subdivision Self-Insurers, the total indemnity payments made in 2009, the percentage that its 2009 Assessments bore to the aggregate 2009 Assessments allocated to all Political Subdivision Self-Insurers, the amount of its 2010 Assessments, and the percentage that its 2010 Assessments bore to the aggregate 2010 Assessments.

	2009 Indemnity Payments (in millions)	2009 Share of Political Subdivision Market	2010 Assessments (in millions)	2010 Share of Total Assessments
State of New York (estimate) ¹	\$165.4	32.3%	\$38.1	6.3%
City of New York	122.4	24.1	27.3	4.5
NYC Transit Authority	30.4	6.0	7.0	1.2
NYC Housing Authority	14.0	2.8	3.2	0.5
Public Employers Risk Management ²	13.1	2.6	3.0	0.5
County of Suffolk	10.3	2.0	2.4	0.4
County of Nassau	5.2	1.0	1.2	0.2
Port Authority of New York	4.8	0.9	1.1	0.2
County of Erie	3.9	0.8	0.9	0.2
Town of Hempstead	3.9	<u>0.8</u>	0.9	<u>0.2</u>
Total		73.3%		14.2%

¹ The State Insurance Fund administers workers' compensation for the State of New York as well as for other public and private employers and received a single aggregate Assessment. Assessments allocable to the State of New York are estimated based on applicable provisions of the Workers' Compensation Law.

² Acting as agent for a group of over 700 towns, villages, counties and school districts.

Group Self-Insurers

Group Self-Insurers were allocated 6.6% of the aggregate amount of the 2010 Assessments. Group Self-Insurers generally represent smaller employers that do not demonstrate the financial resources to self-insure individually. Group Self-Insurers operate through dedicated trust funds, subject to review and audit by the Board. A Group Self-Insurer must deposit with the Board and maintain securities, cash surety bond or irrevocable letters of credit in a form and in an amount determined by the Chair (the "Security Deposits"). Employer members of a Group Self-Insurer are jointly and severally liable for trust obligations.

The Group Self-Insurer class has seen significant change in recent years. The class grew from 13 trusts in 1994 covering approximately 2,000 private-sector employers, to a peak of 50 active trusts in 2007 covering 18,000 employers. Due to new regulations and reporting requirements contained in the Enabling Act, the number of active Group Self-Insurers as of 2010 has declined to 29, covering approximately 4,249 employers. The proportion of the Assessments to be paid by the Group Self-Insurers is expected to decline commensurately, commencing in 2011, offset by increased share for Insurance Carriers and the State Insurance Fund.

Some of the Group Self-Insurers have become insolvent. The Board has taken action to collect from the employer members of these Group Self-Insurers who are jointly and severally liable for trust obligations. See "PART 17 – Litigation – The Board" for a description of litigation pending brought by certain of the insolvent Group Self-Insurers. The Board also has recourse to the Security Deposit of the insolvent Group Self-Insurers.

The following table sets forth for 2010 for each of the ten (10) largest Group Self-Insurers, the percentage that its Assessments bore to the aggregate Assessments allocated to Group Self-Insurers, the amount of its Assessments and the percentage that its Assessments bore to the aggregate Assessments.

	2009	2010	2010
	Share of	Assessment	Share of Total
	Group Self-Insurer	(in millions)	Assessments
	Market		
Contractors Compensation Trust ¹	10.4%	\$3.7	0.6%
NY Transportation Workers' Compensation Trust ¹	7.7	2.8	0.5
ELEC-CON Trust	5.6	2.0	0.3
NYAHSA Services Inc. Self-Insurance Trust	5.6	2.0	0.3
Special Trades, Contracting and Construction Trust	5.5	2.0	0.3
Business Council WC Manufacturers Group Self-Insurance Trust ¹	4.8	1.7	0.3
Empire State Transportation WC Trust ¹	4.6	1.7	0.3
Associated Builders & Contractors Compensation Trust	4.6	1.7	0.3
Healthcare of New York Workers' Compensation Trust	3.8	1.4	0.2
Cooperative Association of Food Enterprises WC Trust	<u>3.7</u>	1.3	<u>0.2</u>
Total	56.3%		3.3%

¹ Trust has terminated its active self insurance program as of 2009 and is no longer providing workers' compensation coverage for its members.

PART 10 – DEBT SERVICE REQUIREMENTS FOR THE SERIES 2010A BONDS

The following table sets forth, for each year ending December 1, the amounts, rounded to the nearest dollar, required to be made available in such year for the payment of the principal, including Sinking Fund Installments, of and interest on the Series 2010A Bonds.

Year Ending	Principal	Interest	Total Debt Service
December 1,	Payments	Payments	on the
			Series 2010A Bonds
2011	-	\$3,606,825	\$ 3,606,825
2012	\$16,000,000	3,688,798	19,688,798
2013	16,000,000	3,401,918	19,401,918
2014	9,985,000	3,033,598	13,018,598
2015	14,910,000	2,740,938	17,650,938
2016	8,235,000	2,275,000	10,510,000
2017	8,645,000	1,863,250	10,508,250
2018	9,080,000	1,431,000	10,511,000
2019	9,530,000	977,000	10,507,000
2020	10,010,000	500,500	10,510,500

PART 11 – 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 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, 2010, the Authority had approximately \$42.3 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, 2010 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	\$ 2,478,656,000	\$ 1,139,920,000	\$ 0	\$ 1,139,920,000
State University of New York Educational and Athletic Facilities	14,043,272,999	6,272,264,856	0	6,272,264,856
Upstate Community Colleges of the State University of New York.....	1,590,645,000	645,320,000	0	645,320,000
Senior Colleges of the City University of New York	10,401,851,762	3,204,031,213	0	3,204,031,213
Community Colleges of the City University of New York	2,501,993,350	496,208,787	0	496,208,787
BOCES and School Districts	2,785,881,208	2,164,585,000	0	2,164,585,000
Judicial Facilities	2,161,277,717	696,712,717	0	696,712,717
New York State Departments of Health and Education and Other.....	6,272,280,000	4,281,975,000	0	4,281,975,000
Mental Health Services Facilities	8,032,895,000	3,828,165,000	0	3,828,165,000
New York State Taxable Pension Bonds....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	<u>1,146,845,000</u>	<u>760,220,000</u>	<u>0</u>	<u>760,220,000</u>
Totals Public Programs.....	<u>\$52,189,073,036</u>	<u>\$23,489,402,573</u>	<u>\$ 0</u>	<u>\$23,489,402,573</u>
Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions.....	\$19,374,419,952	\$10,052,860,083	\$30,730,000	\$10,083,590,083
Voluntary Non-Profit Hospitals.....	14,542,754,309	7,915,685,000	0	7,915,685,000
Facilities for the Aged	2,010,975,000	778,615,000	0	778,615,000
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>\$36,023,149,261</u>	<u>\$18,747,160,083</u>	<u>\$30,730,000</u>	<u>\$18,777,890,083</u>
Grand Totals Bonds and Notes	<u>\$88,212,222,297</u>	<u>\$42,236,562,656</u>	<u>\$30,730,000</u>	<u>\$42,267,292,656</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2010, the Agency had approximately \$304.6 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, 2010 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	\$ 2,880,000
Insured Mortgage Programs	6,625,079,927	294,625,000
Revenue Bonds, Secured Loan and Other Programs ...	<u>2,414,240,000</u>	<u>7,045,000</u>
Total Non-Public Programs	<u>\$ 9,265,549,927</u>	<u>\$ 304,550,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 304,550,000</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., *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, 2013.

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, 2013.

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 the Executive Vice President / Chief Operating Officer & Chief Financial Officer of Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief investment officer, he managed assets valued at \$120 billion and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. 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. Earlier, Mr. Jiha 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, 2011.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. Mr. Moerdler also specializes in State and Federal appellate practice. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation and as a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

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 term expired on August 31, 2010 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

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

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State's entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford University.

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 President and chief executive 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 Vice President of the Authority, and assists the President 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.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2010A Bonds or questioning or affecting the validity of the Series 2010A Bonds or the proceedings and authority

under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to issue the Series 2010A Bonds in accordance with the provisions of the Enabling Act, the Resolution and the Financing Agreement.

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 2010A 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, 2010. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 12 – LEGALITY OF THE SERIES 2010A BONDS FOR INVESTMENT AND DEPOSIT

The Enabling Act provides that the Series 2010A 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 of the State may limit the investment of funds of such authorities in the Series 2010A Bonds.

The Series 2010A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 13 – NEGOTIABLE INSTRUMENTS

The Series 2010A Bonds shall be negotiable instruments as provided in the Enabling Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2010A Bonds.

PART 14 – TAX MATTERS

In the opinion of Bond Counsel, interest on the Series 2010A Bonds: (i) is included in gross income for Federal income tax purposes; and (ii) under existing statutes, is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof including The City of New York.

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Series 2010A Bonds by original purchasers of the Series 2010A Bonds who are “U.S. Holders”, as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 2010A Bonds will be held as “capital assets”; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2010A Bonds as a position in a “hedge” or “straddle”, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Series 2010A Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Series 2010A Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2010A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if original issue discount (“OID”) on a Series 2010A Bond is greater than a statutorily defined *de minimis* amount, a holder of a Series 2010A Bond must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Series 2010A Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price.” For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the Series 2010A Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Series 2010A Bond; “qualified stated interest” is 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; and “*de minimis* amount” is an amount equal to 0.25 percent of the Series 2010A Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Series 2010A Bond using the constant-yield method, subject to certain modifications.

Original Issue Premium

In general, if a Series 2010A Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Series 2010A Bond other than “qualified stated interest” (a “Taxable Premium Bond”), the holder of a Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize that premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond) the amortizable premium is treated as an offset to interest income, the holder will make a corresponding adjustment to the holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder’s original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2010A Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Series 2010A Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2010A Bonds to be deemed to be no longer outstanding under the indenture of the Series 2010A Bonds (a "defeasance"). See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS." For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2010A Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of OID on a Series 2010A Bond and the proceeds of the sale of a Series 2010A Bond before maturity within the United States. Backup withholding may apply to holders of Series 2010A Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Series 2010A Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

IRS Circular 230 Disclosure

The advice under the caption, "Tax Matters", concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2010A Bonds, was written to support the marketing of the Series 2010A Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs you that (i) any Federal tax advice contained in this official statement (including any attachments) or in writings furnished by Bond Counsel to Authority is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, could affect the market price or marketability of the Series 2010A Bonds.

Prospective purchasers of the Series 2010A Bonds should consult their own tax advisors regarding the foregoing matters.

PART 15 – STATE NOT LIABLE ON THE SERIES 2010A BONDS

The Enabling Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2010A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 16 – UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2010A Bonds from the Authority at an aggregate purchase price, less net original issue discount and less underwriters' discount, of \$100,491,388.22 and to make a public offering of the Series 2010A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2010A Bonds if any are purchased.

The Series 2010A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices or yields higher than such public offering yields, and such public offering prices or yields may be changed from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and/or the Board, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and/or the Board.

Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the Series 2010A Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Series 2010A Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Series 2010A Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Series 2010A Bonds that Incapital sells.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2010A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010A Bonds.

PART 17 – LITIGATION

The Board

On June 29, 2010, The Roman Catholic Diocese of Albany (the "Diocese") commenced an action against the Board, the Special Funds Conservation Committee, the Special Disability Fund, the Second Injury Fund and the Commissioner by filing a summons and complaint. The Diocese is seeking various types of relief with respect to the Assessments levied by the Board against the Diocese and seeks a continued right to reimbursement of certain

amounts paid by the Diocese to three injured employees. The Diocese's reimbursement request was denied by Special Funds Conservation Committee because it was filed more than one year after the expense was paid in violation of Workers' Compensation Law Section 15(h)(2)(B). The Board believes that the Diocese's case is based on the incorrect assumption that Assessments are payments made by a Payer that are held in trust by the Board and used solely to provide reimbursement for that particular Payer's eligible workers' compensation claims. The Board has filed a motion to dismiss the action based upon, inter alia, the Diocese's failure to state a cause of action. The Board believes that the case is without merit and expects to fully prevail.

On June 3, 2010, an Individual Self-Insurer commenced an Article 78 proceeding challenging assessments, including the Assessments, related to calendar year 2009, arguing that the Assessments were not allocated properly as against them. See New Era Cap Co. Inc. v. State of New York Workers' Compensation Board, Albany County Index No. 2518-10. After reviewing the petition, the Board contacted petitioner's counsel as the proceeding was based upon on a misunderstanding arising from the form of invoicing for, inter alia, the Assessments. The parties have been in discussions concerning the manner which the assessments, including the Assessments, were calculated and allocated. The Board believes that the petition will be withdrawn in the very near future.

On June 11, 2008, three inactive Group Self-Insurers (collectively the "Nuara Plaintiffs") commenced an Article 78 proceeding challenging the Board's authority to levy assessments, including the Assessments, on the grounds that as inactive Group Self-Insurers they were no longer liable for assessments, including the Assessments. See Frank Nuara, et al. v. State of New York Workers' Compensation Board, Albany County Index No. 5076-08. By decision and order dated February 11, 2010, the Board's authority to levy assessments, including the Assessments, on inactive Group Self-Insurers was upheld but the assessments at issue in the proceeding were invalidated as against the Nuara Plaintiffs based upon the Board's interpretation of "preceding year". Intermediary legislation, not considered by the court, amended the provisions of the Workers' Compensation Law relative to assessments, including the Assessments, for inactive Group Self-Insurers which defined the term "preceding year" consistent with the application previously applied by the Board. The Board filed a protective Notice of Appeal and continues to negotiate with the Nuara Plaintiffs towards settlement of the proceeding.

On July 7, 2010, the members of one inactive Group Self-Insurer commenced an Article 78 proceeding challenging assessments, including the Assessments, related to calendar year 2010, arguing that the Assessments are not applicable to them as inactive Group Self-Insurers. See Philip Perna et al v. New York State Workers' Compensation Board, Albany County Index No. 4377-10. The Board believes it will prevail in this action as it is indistinguishable from the Nuara matter referenced above, but does not believe that a decision will be forthcoming until after a decision is rendered by the Appellate Division in the Held declaratory judgment action discussed below.

Thirteen solvent Group Self-Insurers (collectively the "Held Plaintiffs") commenced a declaratory judgment action (and a companion Article 78 proceeding) to challenge the authority of the Board to levy certain assessments, including the Assessments, against them on the grounds that the assessments were unconstitutional for various reasons. See, William Held, Jr. et al v. State of New York Workers' Compensation Board, Albany County Index No. 08-2943 (the "Held Decision").

Supreme Court, Albany County, granted the Board's motion for summary judgment dismissing the Held Plaintiffs' claims with respect to certain assessments, including the Assessments. The court granted the Held Plaintiffs' summary judgment motion with respect to assessments under former Section 50(5)(f) and Section 50(5)(g) of the Workers' Compensation Law (the "Section 50(5)(g) Assessments"), permanently enjoined the Board from taking any action to enforce the Section 50(5)(g) Assessments and ordered the Board to repay to the Held Plaintiffs the amount of the 2008 Section 50(5)(g) Assessments (the "2008 Section 50(5)(g) Assessments").

The Board appealed the Held Decision with respect to the Section 50(5)(f) and (g) Assessments to the Appellate Division Third Judicial Department and sought a stay of the Held Decision with respect to the Section 50(5)(f) and (g) Assessments pending that court's ruling on appeal. On June 17, 2010, the Appellate Division Third Department granted the stay. The Held Plaintiffs have cross appealed the Held Decision with respect to, inter alia, the Assessments to the Appellate Division Third Judicial Department.

If the Board is unsuccessful in its appeal of the Held Decision with respect to its authority to assess the Section 50(5)(g) Assessments, the Board believes that there will be no impact on the Board's authority to assess and collect the Assessments and, in the event that the Board is required to repay the 2008 Section 50(5)(g) Assessments to the Held Plaintiffs, that in no event will such amount be paid from Assessments or from the Fund.

The Board believes that, if the Held Plaintiffs were to be successful in their cross appeal with respect to the Assessments, there would be no impact on the authority of the Board to levy Assessments in general as the Held Plaintiffs are challenging the Assessments based upon their status as inactive Group Self-Insurers. Accordingly, in the event that the Appellate Division were to find that the Assessments may not be levied upon inactive Group Self-Insurers, the Board believes that it would have the authority to levy the Assessments against Insurance Carriers, the State Insurance Fund, Individual Self-Insurers and active Group Self-Insurers. Furthermore, if all active Group Self-Insurers were to cease operations and become inactive, the Board believes that it would have the authority to levy the Assessments against all other participants in the workers' compensation system, including all Insurance Carriers, the State Insurance Fund and Individual Self-Insurers.

On June 2, 2010, the Held Plaintiffs also commenced an Article 78 proceeding challenging, inter alia, the Assessments related to calendar year 2009, arguing that the Assessments are not applicable to them as inactive Group Self-Insurers. See William Held, Jr. et al v. State of New York Workers' Compensation Board, Albany County Index. No. 3514-10. The matter is fully submitted and awaits a decision. The Board believes that it will prevail in this action as it is indistinguishable from the Nuara matter referenced above, but does not believe that a decision will be forthcoming until after a decision is rendered by the Appellate Division in the Held declaratory judgment action.

Other than the actions discussed above, there is no pending litigation restraining or enjoining the assessment or collection of the Assessments or any litigation that questions the right of the Board to levy or collect the Assessments.

PART 18– LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2010A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2010A Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Hiscock & Barclay, LLP, Albany, New York.

PART 19 – RATINGS

The Series 2010A Bonds have been assigned ratings of "Aa2", "AA" and "AA+" by Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, respectively. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by the respective rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2010A Bonds.

PART 20 – CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the Board has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2010A Bonds to provide to DAC, on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 120 days after the end of each calendar year, commencing with the calendar year ending December 31, 2011, for filing by DAC with the Municipal Securities Rulemaking Board ("MSRB") and its Electronic Municipal Market Access system (the "EMMA System") for municipal securities disclosures, on an annual basis, operating data and financial information relating to the Fund of the type included in this Official Statement (the "Annual Information").

If, and only if, and to the extent that it receives the Annual Information described above from the Board, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Board and the Authority, to file such information, as promptly as practicable, but no later than three business days after receipt of the information by DAC from the Board, with the MSRB.

The Board also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, not in excess of ten (10) business days after the occurrence of any of the Board Notice Events (as defined below), certain notices required to be provided by Rule 15c2-12 and described below (the “Board Notices”). The Authority will undertake in the Continuing Disclosure Agreement to provide to the Trustee and DAC, in a timely manner, not in excess of ten (10) business days after the occurrence of any of the Authority Notice Events (as defined below), certain notices required to be provided by Rule 15c2-12 and described below (the “Authority Notices” and, collectively with the Board Notices, the “Notices”). In addition, the Trustee will undertake, for the benefit of the Holders of the Series 2010A Bonds, to provide such Notices to DAC, should the Trustee have actual knowledge of the occurrence of a Board Notice Event or an Authority Notice Event. Upon receipt of Notices from the Authority, the Board or the Trustee, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2010A Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Board, the Authority and the Trustee have provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Notices or any other information, disclosures or notices provided to it by the Board, the Authority or the Trustee and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Board, the Holders of the Series 2010A Bonds or any other party. DAC has no responsibility for the failure of the Board or the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Board, the Authority or the Trustee has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Board, the Authority and the Trustee with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority’s disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “PART 7 – THE FUND”, “PART 8 – ASSESSMENTS” and “PART 9 – PAYERS OF THE ASSESSMENTS” (other than the information under the subheading “State Insurance Fund”) and (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning the Board and in judging the financial and operating condition of the Fund.

The Board Notices include notices of any of the following events (the “Board Notice Events”): (1) bankruptcy, insolvency, receivership or similar event of the Board; and (2) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

The Authority Notices include notices of any of the following events (the “Authority Notice Events”) with respect to the Series 2010A Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on the debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements or liquidity facilities reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2010A Bonds, or other material events affecting the tax status of the Series 2010A Bonds; (7) modification to the rights of Holders of Series 2010A Bonds, if material; (8) Series 2010A Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2010A Bonds, if material; (11) rating changes; and (12) appointment of a successor or additional trustee or the change of name of a trustee, if material;

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Board, the Authority and/or the Trustee, and no person, including any Holder of the Series 2010A Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the Board may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by any owner of Outstanding Bonds or by the Trustee on behalf of the owners of Outstanding Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of the then-Outstanding Bonds. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is 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 or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2010A Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2010A Bonds will be on file at the principal office of the Authority.

PART 21 – SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning the Fund and the Board included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2010A Bonds, as to the accuracy of such information provided or authorized by it.

The Chair. The Chair provided certain information contained in this Official Statement, including the information relating to the Board, the Fund, the Assessments, the Office and the Payers.

The Superintendent. The Superintendent provided certain information contained in this Official Statement relating to the Insurance Carriers.

The State Insurance Fund. The State Insurance Fund provided information contained in this Official Statement relating to the State Insurance Fund.

Milliman. Milliman provided information contained in this Official Statement in the second paragraph under the subcaption “PART 1 – INTRODUCTION – Authorization of Issuance” and in the sixth paragraph under the caption “PART 7 – THE FUND”.

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

“APPENDIX A – CERTAIN DEFINITIONS”, “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT”, “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS” and “APPENDIX D – FORM OF APPROVING OPINION OF BOND COUNSEL” have been prepared by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel.

The Authority. The Authority provided the balance of the information in or appended to this Official Statement, except as otherwise specifically noted herein.

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2010A Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the Board, the Fund, the Office, the Assessments, the Payers, the State Insurance Fund, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Enabling Act, other laws of the State, the Resolutions 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 2010A Bonds are fully set forth in the Resolutions (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2010A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2010A Bonds.

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

The 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

CERTAIN DEFINITIONS

The following is a summary of certain of the terms defined in the Resolution and used in this Official Statement:

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

“Advisory Committee” means the Special Disability Fund advisory committee to the Workers’ Compensation Board, established pursuant to the Enabling Act, composed of the Director of the Budget, the State Commissioner of Labor, the Commissioner, the Chair and the State Superintendent of Insurance.

“Ancillary Bond Facility” means a Qualified Swap, a Credit Facility, a Liquidity Facility, Reserve Fund Facility or any other agreement, arrangement or contract that constitutes an ancillary bond facility as defined in paragraph (a) of subdivision (1) of section 1680-1 of the Public Authorities Law for which provision, pursuant to subdivision 5(g) of said section 1680-1, is made in any Series Resolution or Bond Series Certificate including with respect to each such ancillary bond facility that the Authority has determined in consultation with the Advisory Committee that such facility is necessary or appropriate for one or more of the reasons identified in said subdivision.

“Annual Administrative Fee” means, collectively, the fee payable for (A) a portion of the general administrative and overhead expenses of the Authority allocated in accordance with a formula established by the Authority for the services performed by the Authority in connection with the issuance of the Bonds for any Finance Fund Purposes; and (B) all other reasonable and necessary costs, expenses and charges incurred by the Authority in carrying out its duties under the Resolution, under the Financing Agreement, or in enforcing the Financing Agreement, including, without limitation, Operating Expenses; provided, however, that such Annual Administrative Fee shall not include any of the above costs, expenses or charges to the extent that they are otherwise included as Associated Costs.

“Annual Ancillary Bond Facility Payments” means those payments, if any, payable from Assessments imposed in that calendar year, on or for use of an Ancillary Bond Facility.

“Annual Debt Service Payment” means the sum of Debt Service and Associated Costs that are payable from the Assessments imposed in that calendar year.

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

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

“Assessments” means the amount assessed and collected in accordance with the Financing Agreement pursuant to 15(8)(h)(4) and (5) of the Workers’ Compensation Law, as enacted by the Enabling Act; equal to the greater of: (i) the sum of (A) an amount equal to one hundred fifty per centum of the total disbursements made from the Special Disability Fund during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or waiver agreements funded by bond proceeds and related earnings), less the amount of the net assets in such fund as of December thirty-first of said preceding calendar year, and (B) the amount projected to be sufficient to cover Annual Debt Service Payments to be paid during the calendar year by the Authority and (ii) an amount equivalent to 110% of the amount projected to be sufficient to cover Annual Debt Service Payments (excluding the coverage factor), to be paid during the calendar year by the Authority.

“Associated Costs” means the total amount payable from Assessments levied in that calendar year on account of any of the following: Annual Ancillary Bond Facility Payments, the Annual Administrative Fee; fees payable to the Trustee; any amounts needed to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement, the Rebate Amount in excess of the amount available therefor in the Arbitrage Rebate Fund, any Qualified Termination Payment; the amount of the Assessments which, pursuant to clause (ii) of the definition of Assessments, is required to be imposed as a coverage factor in excess of the amount that would otherwise be required to be imposed pursuant to clause (i) of such definition and which shall be applied for Debt Service, Redemption Price or otherwise as set forth in a certificate of the Chair; Operating Expenses and all other costs of any nature incurred by the Authority in connection with the Financing Agreement or pursuant thereto not otherwise included in the Annual Administrative Fee; all or a portion of the annual operating costs of the Waiver Agreement Management Office; the costs of any independent audits; and, any other costs necessary or incidental to the implementation of Assessments or the issuance of Bonds by the Authority.

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

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

“Authorized Officer” means (i) in the case of the Authority, the Chair, the Vice-Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the General Counsel, a Managing Director, and when used with reference to any act or document also means any other person authorized by resolution or bylaws of the Authority to perform such act or execute such document; (ii) in the case of the New York State Department of Taxation and Finance, the Commissioner and when used with reference to any act or document, any other person authorized by law or by the Commissioner to perform such act or sign such document; (iii) in the case of the Workers’ Compensation Board, the Chair and when used with reference to any act or document, any other person authorized by law or by the Chair to perform such act or sign such document; and (iv) in the case of the Trustee, the President, Vice President, Corporate Trust Officer, Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to resolution or bylaws of the Board of Directors of the Trustee.

“Bond” or “Bonds” means any of the bonds, Notes and other evidence of indebtedness of the Authority authorized and issued pursuant to the Resolution or a Series Resolution.

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

“Bond Series Certificate” means a certificate of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under the applicable Series Resolution, as it may be amended, modified or supplemented.

“Bond Year” means a period of twelve (12) consecutive months beginning June 1 in any calendar year and ending on May 31 of the succeeding calendar year.

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

“Business Day” means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

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

“Capitalized Interest Account” means the account in the Revenue Fund so designated, created and established pursuant to the Resolution.

“Chair” means the Chair or Acting Chair of the Workers’ Compensation Board.

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

“Commissioner” means the Commissioner of the New York State Department of Taxation and Finance or the individual designated as Acting Commissioner of the New York State Department of Taxation and Finance.

“Comptroller” means the Comptroller of the State.

“Contract Award” means a contract with any insurance carrier, self-insured employer or the State Insurance Fund that complies with subdivision (i) of section 32 of the Workers’ Compensation Law, as amended by the Enabling Act.

“Cost of Issuance” or “Costs of Issuance” means the items of expense incurred directly or indirectly payable or reimbursable by the Authority, the Chair, the Commissioner or the Director of the Budget in connection with and related to the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, commitment and initial fees or similar charges of a Facility Provider, underwriting fees and expenses, fees and expenses of professional consultants and fiduciaries, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, costs and expenses of refunding Bonds and other costs, charges and fees in connection with the foregoing.

“Cost of Issuance Account” means the account so designated within the Revenue Fund, and created and established pursuant to the Resolution.

“Cost of the Finance Fund Purpose” or “Costs of the Finance Fund Purposes” means, with respect to a Finance Fund Purpose, the financing, refinancing or reimbursement of costs and expenses of the applicable Finance Fund Purpose.

“Credit Facility” means an irrevocable letter of credit, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys to pay the principal or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance with the Resolution and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the

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

“Debt Service” means the sum of the following amounts payable by the Authority from Assessments to be levied in that calendar year on account of the Bonds and Parity Reimbursement Obligations: (i) interest payable on the Bonds on which interest is fixed and if any such Bonds are Variable Interest Rate Bonds, an estimate of the interest to be paid on such Bonds calculated in accordance with the applicable Bond Series Certificate; (ii) the interest component, if any, of Parity Reimbursement Obligations computed in the same manner as is provided in clause (i) with respect to interest on the Bonds; (iii) the principal, Sinking Fund Installments and the Redemption Price, if any due on the Bonds; (iv) the principal component, if any, due on any Parity Reimbursement Obligations; and (v) any Note Amortization Payment and interest payable on any such Notes.

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

“Debt Service Reserve Fund” means the fund so designated, created and established pursuant to the Resolution.

“Debt Service Reserve Fund Requirement” means, unless otherwise provided in a Series Resolution or a Bond Series Certificate, an amount equal to one half of the greatest amount required in any twelve month period to pay the sum of the principal and Sinking Fund Installments of and interest on the initial issuance of Bonds, which amount need not be increased in connection with any subsequent issuance of Bonds provided that either consent of the Holders pursuant to the voting prescribed by the provision of the Resolution described in APPENDIX C under the caption “SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS — Powers of Amendment” or Rating Confirmation is obtained prior to such issuance.

“Defeasance Security” means:

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

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

(iii) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in the highest Rating Category for such Exempt Obligation;

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

“Deferred Income Bond” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as

to which interest accruing after the Interest Commencement Date is payable semi-annually on June 1 and December 1 of each Bond Year.

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

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

“Enabling Act” means the provisions of law enacted or amended by Chapter 6 of the Laws of 2007, including the Workers’ Compensation Law of the State of New York and the Dormitory Authority Act, being title 4 of Article 8 of the Public Authorities Law of the State of New York, being Chapter 524 of the Laws of New York, 1944, as amended.

“Estimated Average Interest Rate” means, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Authority.

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

“Exempt Obligation” means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest Rating Category for such obligation by at least two Rating Services: (A) if the interest on such obligation is excludable from gross income under Section 103 of the Code and such obligation is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code; or (B) after adoption by the Authority of a Supplemental Resolution so authorizing, if such obligation is issued by an issuer not domiciled in New York State, such obligation qualifies as a “Build America Bond” within the meaning of Section 54AA of the Code;

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

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

“Facility Provider” means the Qualified Swap Provider or other provider or issuer of any Ancillary Bond Facility.

“Federal Agency Obligation” means

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

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

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

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

“Fiduciary” means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Finance Fund” means the fund so designated, created and established pursuant to the Resolution and held by the Authority in accordance with the Financing Agreement.

“Finance Fund Purpose” or “Finance Fund Purposes” means (A) funding of Waiver Agreements (including the reimbursement of the Chair for amounts previously paid pursuant to Waiver Agreements), (B) payment of Financing Costs, (C) funding anticipated liabilities of the Special Disability Fund, (D) funding Contract Awards, (E) payment of Notes, and (F) refunding of Bonds, which may include the interest thereon; and such other purposes then permitted by the Enabling Act and the Financing Agreement pursuant to an Other Purpose Agreement or other Supplemental Financing Agreement

“Finance Fund Purpose Account” means the account or accounts in the Finance Fund so designated, created and established pursuant to the Financing Agreement.

“Financing Agreement” means the Pledged Assessment Revenue Bonds Financing Agreement dated as of October 28, 2009 entered into pursuant to the Enabling Act by and among the Authority, the Chair and the Commissioner, as from time to time amended or supplemented or modified by each Supplemental Financing Agreement in accordance with the terms and provisions thereof and subject to the limitations of the Resolution.

“Financing Costs” means any of the following for which provision is made in or determined by any Series Resolution or Bond Series Certificate that are to be paid from the proceeds of any Series of Bonds: Costs of Issuance, capitalized interest, capitalized Operating Expenses of the Authority, if any, the initial capitalized operating expenses of the Waiver Agreement Management Office, deposits to the Debt Service Reserve Fund, the fees and cost of any Ancillary Bond Facility, and any other fees, discounts, expenses and costs related to issuing, securing and marketing the Bonds including, without limitation, any net original issue discount.

“Fitch” means Fitch Ratings, its successors and assigns and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“Government Obligation” means:

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

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

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

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

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

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

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

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or a Bond Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on June 1 and December 1 of each Bond Year.

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

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

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

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

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

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

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

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“Nationally Recognized Rating Service” means any of Fitch, Moody’s or S&P (or the corporate successor to any) or any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

“Note Amortization Payment” means, with respect to any Note, any requirement or scheduled amortization payment of the principal amount of the Note, pursuant to the Note and the Series Resolution authorizing such Note.

“Notes” means any Bonds that are a short-term evidence of indebtedness, issued in anticipation of Bonds, pursuant to a commercial paper program or otherwise, for which there is no applicable Sinking Fund Installment and for which the principal thereof other than the Note Amortization Payment, if any, is payable, pursuant to a Series Resolution, solely from and secured by a pledge of additional Bond proceeds.

“Operating Expenses” means the reasonable or necessary operating expenses of the Authority, as determined by the Authority, including, without limitation, the costs of: retention of auditors, preparation of accounting and other reports, maintenance of the ratings on the Bonds, any Operating Expense reserve fund, insurance premiums, Ancillary Bond Facilities, annual meetings or other required activities of the Authority, and professional consultants and fiduciaries retained by the Authority.

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

“Other Purpose Agreement” means a supplement to the Financing Agreement, as from time to time amended or supplemented, which supplement shall provide for the financing and refinancing by the Authority of item (F) under the definition of Finance Fund Purpose.

“Outstanding,” when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the provision of the Resolution described in APPENDIX C under the caption “DEFEASANCE”; and (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution.

“Parity Reimbursement Obligation” has the meaning provided in the provision of the Resolution described in APPENDIX C under the caption “AUTHORIZATION AND ISSUANCE OF BONDS — Ancillary Bond Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations”.

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

“Permitted Collateral” means:

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

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

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

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

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

"Permitted Investments" means any of the following:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated by at least one Rating Services in at least the second highest Rating Category, and (b) fully collateralized by Permitted Collateral;
- (vi) commercial paper issued by a domestic corporation rated in the highest short term Rating Category by at least one nationally recognized rating organization and having maturities of not longer than two hundred seventy (270) days from the date of purchase;
- (vii) bankers' acceptances issued by a bank rated in the highest short term Rating Category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;
- (viii) Investment Agreements that are fully collateralized by Permitted Collateral; and
- (ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest short term Rating Category by at least one nationally recognized rating organization.

"Pledged Assessments" means that portion of the Assessments required to be assessed, collected and applied in accordance with the provisions of the Financing Agreement and the Enabling Act and which such Assessments, including the right to receive same, are pledged for the Annual Debt Service Payment herein as provided in the Enabling Act and herein.

"Pledged Property" means all of the Authority's right, title and interest in and to (i) the Financing Agreements (other than (A) the Authority's right to receive the payment of Authority's Annual Administrative Fee, (B) the right of the Authority, subject to the Resolution, to agree to the amendment of a Financing Agreement, and (C) the right of the Authority to enforce the provisions of any Financing Agreement independently of the Trustee, including the right of the Authority to enforce the provisions of the Financing Agreement that obligate the Chair to levy Assessments and make Annual Debt Service Payments but solely from the Assessments as and when collected, without limiting the right of the Trustee to enforce any obligation of the Chair, the Commissioner or the Authority under any Financing Agreement for the benefit of Bondholders or any Fiduciary), (ii) the Revenues, (iii) the right of the Authority to receive Pledged Assessments, first of all Assessments received each year by the Chair pursuant to the Financing Agreement and (iv) any funds and accounts pledged under the Resolution.

"Put Bonds" means Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Authority for payment or purchase prior to the stated maturity or redemption date thereof.

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

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

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

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

4. the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

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

“Qualified Swap” means, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement;

other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Authority for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Authority as a Qualified Swap with respect to such Bonds.

“Qualified Swap Provider” means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of any of the Rating Agencies then maintaining a rating for the Qualified Swap Provider.

“Qualified Termination Payment” means any payment required to be made by the Authority under a Qualified Swap on account of a Termination Payment Right that arose in a year prior to the year in which such payment is due.

“Rating Agencies” or “Rating Services” means, each of Moody’s, Fitch, S&P and any other Nationally Recognized Rating Service which is then maintaining a rating at the request of the Authority with respect to an applicable Series of Bonds.

“Rating Category” means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

“Rating Confirmation” means evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken without obtaining the consent of Holders pursuant to the voting prescribed by the provision of the Resolution described in APPENDIX C under the caption “SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS — Powers of Amendment” unless at least one Rating Agency at that time maintains a rating on the Bonds.

“Rebate Amount” means, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

“Record Date” means (i) with respect to an interest payment, the fifteenth (15th) day (whether or not a Business Day) next preceding an interest payment date; (ii) with respect to a notice of redemption, the forty fifth day (whether or not a Business Day) next preceding the date fixed for redemption; or (iii) as otherwise set forth in a Series Resolution or a Bond Series Certificate.

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

“Refunding Bonds” means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to Section 2.04 hereof, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 4.06 or Section 10.06 hereof.

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

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

“Reserve Fund Facility” means a surety bond, insurance policy, letter of credit or other similar facility which constitutes any part of the Debt Service Reserve Fund Requirement authorized to be delivered pursuant to the Resolution.

“Resolution” means this Pledged Assessment Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions hereof, as it may be amended or supplemented.

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

“Revenues” means (i) the Annual Debt Service Payment received or receivable by the Authority which pursuant to the Resolution and the Financing Agreement are required to be paid to the Trustee, (ii) payments paid by any Facility Provider including a Qualified Swap Provider, and (iii) all earnings on the investment of amounts in the funds and accounts pledged under the Resolution except the Arbitrage Rebate Fund.

“S&P” means Standard & Poor’s Ratings Services, its successors and assigns and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

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

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

“Series Resolution” means a resolution of the Authority authorizing the issuance of one or more Series of Bonds (and Notes that are to be paid from and secured by the proceeds of such series of bonds) adopted by the Authority pursuant to Article 2 hereof.

“Sinking Fund Installment” means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required hereby or by the Series Resolution pursuant to which such Bonds were issued or by any applicable Bond Series Certificate, to be paid on a single future June 1 or December 1 for the retirement of any Outstanding Bonds of said Series which mature after said future June 1 or December 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future June 1 or December 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

“Special Disability Fund” means pursuant to the Enabling Act as provided in subparagraph 7 of paragraph h of subdivision 8 of section 15 of the Workers’ Compensation Law, as amended by the Enabling Act, the fund known as the Special Disability Fund and for which the Commissioner is the custodian.

“Standby Bond Purchase Agreement” means, with respect to a Series of Bonds, an agreement pursuant to which a person is obligated to purchase an Option Bond or a Variable Interest Rate Bond tendered for purchase.

“State” means the State of New York.

“Supplemental Financing Agreement” means each agreement amending or supplementing the Financing Agreement, including any Other Purpose Agreement, executed and becoming effective in accordance with the terms and provisions of the Resolution and the Financing Agreement.

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

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

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

“Termination Payment Right” means with respect to any Ancillary Bond Facility the right of any counterparty, subject to such limitation as is provided by the Resolution, to receive payment from the Authority as a result of a downgrade of a rating or other such termination event adverse to the Authority.

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

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

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

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

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

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

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

“Waiver Agreement” or “Waiver Agreements” means waiver agreements entered into pursuant to Section 32 of the Workers’ Compensation Law.

“Waiver Agreement Management Office” or “WAMO” means the office established pursuant to the Enabling Act to negotiate Waiver Agreements on behalf of the Special Disability Fund.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a summary of certain provisions of the Financing Agreement. Such summary does not purport to be complete and reference is made to the Financing Agreement for full and complete statements of such and all provisions. Capitalized terms used, but not defined, herein shall have the meanings ascribed to them in Appendix A.

Definitions

“Assessee” means all self insurers, group insurers, the State Insurance Fund and all insurance carriers required to pay Assessments levied in accordance with the Enabling Act.

“Assessments Receipt Account” means an account of the Commissioner established and maintained with the Bank pursuant to the provisions of the Financing Agreement described below under the caption “Assessments and Assessments Receipts Procedures — *Receipt of Assessments*”.

“Bank” means the bank or trust company which holds the Clearing Account and the Assessments Receipts Account and its successor or successors and any other bank or trust company which may be substituted in its place.

“Bond Series Certificate” means a certificate of the Authority fixing terms, conditions and other details of Bonds or any Ancillary Bond Facility in accordance with the delegation of power to do so under the Resolution or under the applicable Series Resolution as it may be amended, modified or supplemented.

“Chair” means the person serving as Chair or Acting Chair of the Workers’ Compensation Board.

“Clearing Account” means an account to be established and maintained by the Commissioner pursuant to the Financing Agreement.

“Contract Award” means a contract with any insurance carrier, self-insured employer or the State Insurance Fund that complies with subdivision (i) of section 32 of the Workers’ Compensation Law, as amended by the Enabling Act.

“Resolution” means the Pledged Assessment Revenue Bond Resolution adopted by the Authority on October 28, 2009, as from time to time amended or supplemented by Supplemental Resolutions and each Series Resolution adopted pursuant to the terms of such Resolution.

“Request for Funding” means an application of the Chair for funding for Costs of a Finance Fund Purpose or Purposes.

“State Pledge” means each covenant of the State which pursuant to the Enabling Act is described in APPENDIX C under the caption “PARTICULAR COVENANTS — State Pledge”.

“State Superintendent of Insurance” means the Superintendent of Insurance or acting Superintendent of the Insurance Department of the State.

“Workers’ Compensation Board” means the Workers’ Compensation Board of the State of New York.

Pledged Assessments and Payment of the Annual Debt Service Payment

(a) The Chair and the Commissioner each agree and acknowledge that the Annual Debt Service Payment shall be paid from the Pledged Assessments. The Chair agrees to cause the Board to levy, assess

and collect Pledged Assessments in accordance with the Financing Agreement in an amount sufficient to pay the Annual Debt Service Payment and to deposit, or cause the deposit of, the Pledged Assessments. The parties to the Financing Agreement confirm that the Pledged Assessments are pledged by the Authority under the Resolution and are to be applied to the payment of Annual Debt Service Payment as required by the Enabling Act as if such pledge was set forth explicitly in the Financing Agreement and such pledge is incorporated to the Financing Agreement. In particular, the Authority, the Chair and the Commissioner confirm that the Pledged Assessments shall be considered and, and pursuant to the Enabling Act, are deemed the first monies received from the Assessments levied and collected in each year.

(b) The Commissioner and the Chair agree that no monies shall be disbursed from the Assessments Receipts Account for any purpose other than making the Annual Debt Service Payment to the Trustee until the full amount of the Annual Debt Service Payment due in such calendar year has been transferred to the Trustee for deposit into the Revenue Fund.

Tax Exemption; Rebates

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Series the interest on which is intended to be so excluded from gross income for federal income taxation purposes, as specified in an applicable Series Resolution or Bond Series Certificate, the Authority, the Chair and the Commissioner concur, in respect of obligations and responsibilities of each party under the Financing Agreement, to be bound by and comply with the provisions of the Code applicable to the Bonds of such Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the bond proceeds of a Series of Bonds, reporting of earnings on the bond proceeds of a Series of Bonds, and rebates of Excess Earnings to the Division of the Treasury of the United States of America. In furtherance of the foregoing, the Chair, the Commissioner and the Authority shall comply with the Tax Certificate delivered at the time the Bonds of such Series are issued as to compliance with the Code with respect to such Series of Bonds, as such Tax Certificate may be amended from time to time.

Determination Of Pledged Assessments

Certifications by the Authority

On or before January 1 of each year, the Authority shall certify to the Chair and the Commissioner, the Annual Debt Service Payment required to be levied, assessed and collected as Pledged Assessments. Such Annual Debt Service Payment shall be itemized and shall include the following items payable from the Assessments to be levied and assessed during such calendar year:

- (A) Debt Service;
- (B) the Annual Ancillary Bond Facility Payments, that are not Parity Reimbursement Obligations, including the amount of any Qualified Termination Payment payable by the Authority as a result of Termination Payment Right;
- (C) the amounts to maintain the Debt Service Reserve Fund Requirement;
- (D) the amount needed to pay any Rebate Amount;
- (E) the Annual Administrative Fee; and
- (F) the Associated Costs other than those explicitly included in paragraphs (A) through (E) above, including any fees and expenses respecting any Annual Ancillary Bond Facility Payments and the coverage factor, if any, based upon the amounts established as described below under the caption “—*Calculation of Assessments*”; and

- (G) less the amount, if any, of accrued interest or capitalized interest in the Debt Service Account and less, as to the other foregoing items, amounts, if any, in the Revenue Fund (including any Revenues that are earnings) not otherwise reserved for payment of past Associated Costs and, accordingly, available in the Revenue Fund to pay any such item.

The Authority, in certifying the above amounts, shall estimate Debt Service payable on Variable Interest Rate Bonds or amounts due on any Ancillary Bond Facility or other Associated Costs for which the payments cannot be determined at the time of certification in accordance with the procedures set forth in the applicable Bond Series Certificate or as otherwise agreed to by the parties in a Supplemental Financing Agreement. The certificate of the Authority shall include similar identification and detail of actual expenditures (including those reserved therefore in the Revenue Fund) of the prior year's Annual Debt Service Payment.

Associated Costs

The Associated Costs to be included in the annual certification described above under the caption "*—Certifications by the Authority*" shall include the Annual Administrative Fee of the Authority and may include all expenses of the Commissioner and the Chair incurred in connection with the administration allocable to implementation of the Financing Agreement and the Resolution and properly allocable to Costs of the Finance Fund Purposes *but shall not* include those other expenses allocable to operating the Special Disability Fund on account of programs or benefits of the Special Disability Fund unrelated to a Finance Fund Purpose, provided, however, all or a portion of the annual operating costs of the Waiver Agreement Management Office upon approval of the Advisory Committee may be included in such certification of the Authority. The Chair and the Commissioner shall provide the Authority with the amount of any such expenses to be included in the Associated Costs not later than December 15 of each year. Associated Costs which cannot be definitely ascertained at the time of the certification by the Authority shall be estimated by the Authority based upon reasonable assumptions of the Authority or as otherwise provided in the Supplemental Financing Agreement. Associated Costs shall include amounts, if any, determined by the Chair, for deposit either in the Debt Service Account to be applied to Debt Service or for holding therein and credited toward the following year's Debt Service or applied toward the redemption of Bonds; and the Authority shall so advise the Trustee of any such requirement.

Calculation of Assessments

It is hereby agreed and acknowledged that, to provide for the payment of the Annual Debt Service Payment as described above under the caption "*—Certifications by the Authority*", the Chair shall levy and collect Assessments in an amount that is equal to the greater of: (i) the sum of (A) an amount equal to one hundred fifty per centum of the total disbursements made from the Special Disability Fund during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or Waiver Agreements funded by Bond proceeds and related earnings), less the amount of the net assets in such Fund as of December thirty-first of said preceding calendar year, and (B) the amount projected to be sufficient to cover the Annual Debt Service Payment to be paid during the calendar year; or (ii) an amount equivalent to 110% of the amount projected to be sufficient to cover the Annual Debt Service Payment (excluding the coverage factor) to be paid during the calendar year.

Assessments And Assessments Receipts Procedures

Setting the Assessments

On or before March 15 of each year, the Chair shall impose and bill Assesseees for the Assessments. Assessments shall not be imposed for any purposes other than those identified in the Enabling Act but the Chair shall include amounts that may be appropriate or necessary to account for any prior year deficiency in collection and any anticipated deficiency in collections.

Billing, Collecting, and Enforcement of Assessments

The Chair will bill, collect, deposit, transfer and if necessary cause the enforcement of payment of the Assessments in accordance with the Enabling Act.

Enforcement Procedures

If any Assessee fails to pay any or all Assessments on or before the date such amount is due, the Chair shall collect or cause to be collected such overdue amount in accordance with applicable law and in accordance with the procedures for collecting overdue Assessments that are no less forceful than are those in effect on the date of the Financing Agreement, and that are expected by the Chair to result in substantially full collection from all Assesseees, other than with respect to insolvent entities, within the Assessment year, including without limitation the offset of amounts otherwise payable to delinquent Assesseees and such other legal procedures as are available to the Chair in accordance with such law and procedures, to the extent expected to be cost efficient and time effective. The Chair may make technical administrative changes to such procedures with respect to the collection of Assessments, and may make changes to such procedures with respect thereto to reflect changes in applicable law, without amending the Financing Agreement, if the Authority approves such change in writing prior to the date any such change takes effect. The Authority may approve any such change which, in the opinion of an Authorized Officer of the Authority, does not materially and adversely affect the timely billing, collecting and enforcement of Assessments. Any other change in such procedures with respect to the collection of Assessments shall require an amendment to the Financing Agreement and shall be subject to a Rating Confirmation, and, in any event, any such change shall be subject to compliance with the State Pledge. The determination of the Authority as to whether or not to approve any change in such procedures with respect to the collection of Assessments shall be conclusive.

Receipt of Assessments

The Chair will review the payments received from each Assessee promptly upon receipt thereof to ensure that such Assessee has paid the correct amount of Assessments. If the amount of Assessments paid by the date such payment is due is less than the amount due, or an Assessment is not paid by the date such payment is due, the Chair shall take action to collect such Assessment. The Chair shall keep a record of deficiencies in the payment of the Assessments in each year and shall take such deficiencies into account in setting the Assessment rates in subsequent years.

The Commissioner shall establish and maintain the Assessments Receipt Account. All payments identified or endorsed as Assessments by the Chair shall be deposited by the Commissioner into the Assessments Receipt Account and no withdrawals or disbursements shall be made except as described under this caption. The Commissioner shall so deposit all such payments received from the Chair upon such identification or endorsement on the date of receipt thereof or as promptly thereafter as practicable and shall invest all such payments in Permitted Investments but subject to the applicable provisions of the State Finance Law.

The Commissioner shall immediately, once the total amount of the Annual Debt Service Payment has been deposited in the Assessment Receipts Account, transfer such Pledged Assessments to the Trustee for deposit into the Revenue Fund; provided, however, if the total amount of the Annual Debt Service Payment due has not been received six Business Days prior to the date that a Debt Service Payment is due on the Bonds, the Commissioner shall transfer the amount on deposit in the Assessment Receipts Account to the Trustee for deposit into the Revenue Fund; thereafter, as soon as practicable upon deposit of sufficient additional Assessments, the Commissioner shall transfer the balance of the Annual Debt Service Payment to the Trustee for deposit into the Revenue Fund. The Commissioner shall not allow any amounts on deposit in the Assessment Receipts Account to be diverted, appropriated, applied or credited for any purpose other than for the transfer and deposit to the Revenue Fund until the total amount of such Annual Debt Service Payment due hereunder has been so transferred and deposited in accordance with this paragraph, provided, however once the Authority certifies to the Commissioner in writing, with copies to the Chair and the Director of the Division of the Budget, that such transfers and deposits to the Revenue Fund have been made, (a) any remaining balance in such Assessments Receipt Account may be transferred to any account established by the Commissioner for such purpose and (b) the Authority cause the Trustee to apply the balance of the Revenues held by the Trustee as provided in the Resolution.

Defaults And Remedies

Events of Default

The occurrence of any of the following events shall constitute an “Event of Default” pursuant to the Financing Agreement:

(a) the Chair (i) shall fail or refuse to include in the Assessments the amount certified by the Authority as the Annual Debt Service Payment, (ii) shall fail or refuse to set the Assessments in accordance with the calculations required by the Enabling Act and the Financing Agreement, or (iii) shall fail or refuse to bill, collect or cause the enforcement of the payment of the Assessments;

(b) the Commissioner shall fail or refuse to comply with the provisions of the Financing Agreement described above under the caption “Assessments and Assessments Receipts Procedures—*Receipt of Assessments*”;

(c) the Authority, the Commissioner or the Chair shall fail or refuse to perform or observe any other covenant, agreement or condition to be performed or observed by the Authority, the Commissioner or the Chair under the Financing Agreement, other than a technical failure without material consequence; provided, that nothing therein shall be construed to preclude, the right of the State, consistent with State Pledge, under the Enabling Act through a change in law to limit, modify, rescind, repeal or otherwise alter the character of the Assessments, to substitute like or different sources of Assessments, taxes, fees, charges or other receipts as Revenues or if and when adequate provision shall be made by law for the protection of the holders of Outstanding Bonds pursuant to the proceedings under which the Bonds are issued, including changing or altering the method of establishing the Assessments without giving rise to an Event of Default under the Financing Agreement or under the Resolution.

Remedies

Upon the occurrence of an Event of Default, each party to the Financing Agreement shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to cause the defaulting party to comply so as to cause such default to be cured in strict compliance with the Financing Agreement.

In addition, upon the occurrence of an Event of Default, any party or parties hereto may exercise any one or more of the following remedies singly, concurrently or alternatively (none being exclusive of any other) as he or she deems appropriate:

(i) the Authority may give notice to the Chair that no further moneys shall be available for withdrawal from the Finance Fund and thereupon such availability shall cease without the need for any other action and instead may apply such moneys towards the payment of any amounts due to the Trustee under the Resolution;

(ii) the Authority may employ accountants and other professionals to monitor the procedures and activities of the Chair with respect to the duties and obligations of the Chair under the Financing Agreement for as long as the Authority deems necessary or desirable to ensure compliance by the Chair with the Financing Agreement; or

(iii) the Authority, and retained accountants, attorneys and other agents may have access at all reasonable times on Business Days to the records and other material described herein, and the Commissioner or the Chair shall immediately upon receipt of notice from the Authority given by telephone cause the Bank which at the time holds or at any time has held the Clearing Account and the Assessments Receipts Account to grant such access to his or her records and certain other materials.

The remedies expressly conferred upon or reserved to the parties in respect of any Event of Default described in the Financing Agreement are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement, nor may they include any amendment, change, modification or alteration of the Financing Agreement that is prohibited by the provisions of the Financing Agreement described below under the caption “Reserved Right of Amendment”.

Benefit to Bondholders

To the fullest extent permitted by applicable law, including without limitation, the Enabling Act, the Financing Agreement is for the benefit of the holders of the Bonds. The parties to the Financing Agreement acknowledge that the Authority has pledged, assigned and transferred to the Trustee for the benefit of the Bondholders the Pledged Property, including the rights to enforce the rights of the Authority under the Financing Agreement separately from, independently of or concurrently with the Authority which pledge, assignment or transfer shall be made effective upon the issuance of the initial Series of Bonds under the Resolution. From and after such pledge, assignment or transfer, the Trustee shall have all of the Authority’s rights and privileges to the extent, and as conferred, in such pledge, assignment or transfer.

Enforcement in Equity

The parties to the Financing Agreement (a) acknowledge that an Event of Default under the Financing Agreement will cause irreparable harm and will not be compensable by money alone and that the dollar amount of damages will be difficult to ascertain, and (b) express their intent that the obligations of the parties thereunder may be enforced by specific performance and other equitable remedies.

Obligations Created Shall Not Constitute General Obligations of the State or the Authority

All obligations of the parties to the Financing Agreement are limited, special obligations and shall not be payable from or charged upon any funds other than the funds expressly provided by the Enabling Act, the Resolution and in the Financing Agreement. Such obligations shall not be deemed a debt or moral obligation or a State supported obligation of the State within the meaning of any constitutional or statutory provision or a pledge of the faith and credit of the State, the Authority or of any political subdivision thereof, nor shall they constitute a charge, lien or encumbrance, legal, moral or equitable, upon, or be payable from, any property of the State or the Authority, except as expressly provided by the Enabling Act, the Resolution and the Financing Agreement.

Limitation of Rights; Assignment

The Authority has assigned to the Trustee for the benefit of Bondholders, rights to enforce the rights of the Authority under the Financing Agreement separately from, independently of or concurrently with the Authority, which assignment shall be made effective conditioned upon the issuance of the initial Series of Bonds under the Resolution. Such assignment has reserved to the Authority certain rights of the Authority under the Financing Agreement and the right to enforce such rights of the Authority thereunder separately from, independently of or concurrently with the Trustee. Nothing contained in the Financing Agreement shall preclude the Authority, without amending the Financing Agreement, from further assigning to the Trustee any or all of those rights so reserved.

Reserved Right of Amendment

(a) The Financing Agreement may be amended or supplemented (i) in accordance with the Resolution, (ii) to provide for additional payments to the Authority, (iii) to cure any ambiguity, (iv) to correct or modify any provisions contained in the Financing Agreement which may be defective or inconsistent with any other provisions contained therein, (v) to provide for the issuance of Bonds in connection with one or more Requests for Funding or (vi) as expressly authorized by the Financing Agreement as set forth in (b) of the provision of the Financing Agreement described under this caption.

(b) The parties, upon the request of any party, are authorized to amend the Financing Agreement to reflect changes in applicable law or for reasons other than as expressly identified in (a) of the provision of the Financing Agreement described under this caption. The Authority shall agree to such amendment only if, in the opinion of an Authorized Officer of the Authority, such amendment is permitted under the Resolution and does not eliminate or violate the State's contract with bondholders as described in APPENDIX C under the caption "PARTICULAR COVENANTS — State Pledge". In any event, any such amendment shall be subject to compliance with the State Pledge. The determination of the Authority as to whether or not such amendment is permitted under the Resolution shall be conclusive.

Extent of Covenants; No Personal Liability

No covenant, stipulation, obligation or agreement contained in the Financing Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future official, officer, agent or employee in his or her individual capacity, and no official, officer or employee executing the Financing Agreement shall be liable personally on the Bonds or for any obligation thereunder or be subject to any personal liability or accountability by reason of the issuance of the Bonds. Each Authorized Officer is and shall be conclusively deemed to be an official for all purposes of the provision of the Financing Agreement described under this caption and entitled to the full protection thereof.

Separate Responsibilities of State Officials and Indemnification

(a) By executing the Financing Agreement, the Commissioner, the Chair and the Authorized Officer of the Authority do not assume any liability or responsibility for the actions or omissions of any officer or other employee of the State or the Authority acting beyond the scope of his or her respective power and authority and each shall be entitled to be defended and indemnified by the State in accordance with the provisions of the Public Officers Law.

No Conflict with Resolution or Enabling Act

Nothing in the Financing Agreement is intended to supplement, amend, supersede or be inconsistent with any provision of the Resolution or with any provision of the Enabling Act. In case any provision of the Financing Agreement appears to be or is in conflict or inconsistent with the Resolution or the Enabling Act, the provisions of the Resolution, or the Enabling Act, as the case may be, shall in all respects control, and the provisions of the Financing Agreement shall be deemed to be and are agreed to be superseded and not to be in full force or effect to the extent of any such conflict or inconsistency.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used in the Resolution shall have the meanings ascribed to them in Appendix A.

AUTHORIZATION AND ISSUANCE OF BONDS

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Enabling Act. Under the Enabling Act, the Authority has the power to finance any Finance Fund Purpose initiated on and after the effective date of the Enabling Act in accordance with the provisions of the Enabling Act. (*Section 1.02*)

Resolution and Bonds Constitute a Contract

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds, over any other Bonds except as expressly provided in the Resolution or permitted thereby. (*Section 1.03*)

Option of Authority to Assign Certain Rights and Remedies to the Trustee

To the extent not included in the definition of Pledged Property, as additional security for the payment of the principal, if any, and Redemption Price of and interest on the Outstanding Bonds and for the performance of each other obligation of the Authority under the Resolution, the Authority may grant, pledge and assign to the Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Financing Agreement, any Ancillary Bond Facility or any other agreement entered into in connection with Bonds, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under the Financing Agreement, an Ancillary Bond Facility or any other agreement entered into in connection with Bonds, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance herewith) all Pledged Property and Revenues, and other payments and other security now or hereafter payable to or receivable by the Authority under the Financing Agreement, any Ancillary Bond Facility or any other agreement entered into in connection with Bonds, and the right to make all agreements in the name and on behalf of the Authority in furtherance of any grant, pledge or assignment made pursuant to this paragraph, as agent and attorney-in-fact, and to perform all other necessary and appropriate acts under the Financing Agreement, an Ancillary Bond Facility or any other agreement entered into in connection with Bonds, subject to the following conditions: (a) that the Holders of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and (b) that, unless and until the Trustee shall so elect, by instrument in writing delivered to the Authority (and then only to the extent that the Trustee shall so elect), the Trustee shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in the Financing Agreement to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision), and until such time the Authority shall remain liable to observe and perform all the conditions and covenants in the Financing Agreement provided to be observed and performed by it; provided, however, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property made with respect to the Financing Agreement as described in this paragraph shall secure, in the case of the Financing Agreement, only the payment of the amounts payable under the Financing Agreement and pledged thereby.

In the event the Authority elects to grant, pledge and assign to the Trustee any of its rights as provided above, the Trustee shall accept such grant, pledge and assignment which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee. (*Section 1.04*)

Authorization of Bonds

Bonds of the Authority are authorized to be issued and designated as “Dormitory Authority of the State of New York Pledged Assessment Revenue Bonds,” and the Resolution creates a continuing pledge and lien as provided thereby to secure the payment of the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues (except with respect to payments to the Trustee for deposit in the Arbitrage Rebate Fund), and all funds and accounts (excluding the Finance Fund and Arbitrage Rebate Fund) established by the Resolution and secured by the Pledged Property, all in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution and in the Enabling Act as then in effect.

Neither any Bond issued pursuant to the Resolution nor any Ancillary Bond Facility of the Authority shall constitute a debt or moral obligation of the State or a State supported obligation within the meaning of any constitutional or statutory provision or a pledge of the faith and credit of the State or of the taxing power of the State, and the State shall not be liable to make any payments thereon nor shall any Bond or any Ancillary Bond Facility be payable out of any funds or assets other than Pledged Property, and the Bonds and any Ancillary Bond Facility of the Authority shall contain on the face thereof or other prominent place thereon a statement to the foregoing effect.

The Bonds may, if and when authorized by the Authority pursuant hereto and to one or more Series Resolutions, if applicable, be issued in one or more Series and the Bonds of each Series shall contain an appropriate Series designation. (*Section 2.01*)

Provisions for Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption of the Resolution. The Bonds of a Series authorized to be issued shall be executed by the Authority and delivered to the Trustee. Such Bonds shall from time to time and in such amounts as are directed by the Authority be authenticated by the Trustee and by it delivered to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

- (a) A copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority;
- (b) A copy of the Financing Agreement, including each applicable Supplemental Financing Agreement, each certified by an Authorized Officer of the Authority;
- (c) A copy of the Bond Series Certificate executed in connection with such Bonds;
- (d) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the consideration for such Bonds;
- (e) A certificate of an Authorized Officer of the Authority stating the amounts required to be in the Debt Service Reserve Fund after issuance of the Bonds then to be issued, and that after deposit in the Debt Service Reserve Fund of the amounts, if any, to be deposited therein in connection with the issuance of such Bonds, the amounts on deposit in such fund will not be less than the Debt Service Reserve Fund Requirement then required to be on deposit therein;

(f) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Authority stating that the Authority is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(g) Unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds;

(h) If an Ancillary Bond Facility is to be provided in connection with the issuance of the applicable Series of Bonds, the Bond Series Certificate shall include provisions related to the Qualified Swap, Credit Facility, Liquidity Facility or Reserve Fund Facility, as applicable and obligations payable thereunder; and

(i) An opinion of Bond Counsel stating, in the opinion of Bond Counsel, that the Resolution, including the applicable Series Resolution authorizing the Series of Bonds, has been duly and lawfully adopted by the Authority; that the Resolution is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms; that the Resolution creates the valid pledge which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation of the moneys pledged thereby for the purposes and on the terms and conditions set forth in the Resolution; and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution; provided, however, that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy. *(Section 2.02)*

Refunding Bonds

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

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds and the Bond Series Certificate executed pursuant to such Series Resolution. *(Section 2.04)*

Ancillary Bond Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Authority may include such provisions in a Series Resolution or related Bond Series Certificate authorizing the issuance of a Series of Bonds secured by a Credit or Liquidity Facility as the Authority deems appropriate, including:

(1) So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit or Liquidity Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or

hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, and following a default.

(2) In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit or Liquidity Facility, all covenants, agreements and other obligations of the Authority to the Bondholders of such Bonds shall continue to exist and such provider of the Credit or Liquidity Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit or Liquidity Facility.

In addition, such Series Resolution or related Bond Series Certificate may establish such provisions as are necessary (i) to comply with the provisions of each such Ancillary Bond Facility, (ii) to provide relevant information to any Facility Provider, (iii) to provide a mechanism for paying principal and interest on such Series of Bonds under the Ancillary Bond Facility, and (iv) to make provision for any events of default or termination so long as any payment for such a default or termination by the Authority is a Qualified Termination Payment or for payment to any Facility Provider as either a Parity Reimbursement Obligation or an Annual Ancillary Bond Facility Payment.

In connection therewith the Authority may enter into such agreements with any Facility Provider providing for, inter alia: (i) the payment of fees and expenses as an Associated Cost to such Facility Provider; and (ii) the terms and conditions of such Ancillary Bond Facility and the Series of Bonds affected thereby.

The Authority may secure such Ancillary Bond Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Series Resolution. The Authority may also agree to directly reimburse the Facility Provider for amounts paid under the terms of such Ancillary Bond Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Ancillary Bond Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Ancillary Bond Facility which gave rise to such Parity Reimbursement Obligation relates.

Any such Ancillary Bond Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Authority determines that such Qualified Swaps or other similar arrangements will assist the Authority in more effectively managing its interest costs. To the extent provided in a Series Resolution or related Bond Series Certificate, the Authority's obligation to pay may include payment of interest thereunder on the date, or in advance, of the payment of interest on the Bonds to which such Qualified Swap relates (which payment of interest may either be a Parity Reimbursement Obligation or an Annual Ancillary Bond

Facility Payment) and may also include any Qualified Termination Payment or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, which obligations may only be an Annual Ancillary Bond Facility Payment.

No Ancillary Bond Facility shall provide for a Termination Payment Right to be due in the Bond Year in which the termination event adverse to the Authority occurs. *(Section 2.05)*

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution. *(Section 2.07)*

PLEDGE OF REVENUES; FUNDS AND ACCOUNTS

Pledge

The Pledged Property (including the Revenues), and all funds and accounts established by the Resolution, other than the Finance Fund and Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and the interest on, and Note Amortization Payment of, Notes and as security for the performance of any other obligation of the Authority under the Resolution and under each Series Resolution, all in accordance with the provisions thereof. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the Revenues, and all funds and accounts established and pledged, as aforesaid, shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by the aforesaid pledge of the Pledged Property (including the Revenues), and all funds and accounts established by the Resolution other than the Finance Fund and the Arbitrage Rebate Fund; provided, that the Authority reserves the right by a Supplemental Resolution to create additional funds and accounts solely for the benefit of one or more Series of Bonds.

Notwithstanding anything to the contrary contained in the Resolution, subject to the provision of the Resolution described above under the caption “AUTHORIZATION AND ISSUANCE OF BONDS — Ancillary Bond Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations”, the Authority may incur obligations or indebtedness to any Facility Provider which are payable from the Revenues on a parity with the Bonds and which are Parity Reimbursement Obligations secured by a lien on and pledge of the Pledged Property including the Revenues to the lien and pledge made thereby, without preference, priority or distinction over the rights of the Holders of the Bonds or as Annual Ancillary Bond Facility Payments payable from the Revenue Fund under Second of Section 5.05. *(Section 5.01)*

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution and, except for the Finance Fund which shall be held and maintained by the Authority, shall be held and maintained by the Trustee:

1. Finance Fund;
2. Revenue Fund which shall include a Debt Service Account, Capitalized Interest Account and Cost of Issuance Account therein;
3. Debt Service Reserve Fund; and
4. Arbitrage Rebate Fund.

Accounts and subaccounts within each of the foregoing funds and accounts, in addition to the accounts and subaccounts required to be established by the Resolution, may be established from time to time in accordance with a Series Resolution, a Bond Series Certificate, the Financing Agreement or upon the direction to the Trustee by an Authorized Officer of the Authority for accounting purposes or any other purpose. All moneys at any time deposited in any fund (including all accounts and subaccounts therein) created and pledged by the Resolution or required by the Resolution to be created, except the Finance Fund and the Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of Bonds (provided, that the Authority reserves the right by a Supplemental Resolution to create additional funds and accounts solely for the benefit of one or more Series of Bonds), but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution. *(Section 5.02)*

Application of Proceeds and Allocation Thereof

Upon the receipt of the proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds to one or more Finance Fund Purposes, Financing Costs, the Debt Service Reserve Fund and to the Costs of Issuance as specified in the Series Resolution authorizing such Series of Bonds or in the Bond Series Certificate relating to such Series of Bonds.

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

Payments for Costs of Issuance or other Financing Costs shall be made by the Authority or by the Trustee, upon the written approval of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. *(Section 5.03)*

Application of Moneys in the Finance Fund

As soon as practicable on the date of delivery of the Bonds of a Series, the Trustee shall transfer to the Authority for deposit in the Finance Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series of Bonds or the Bond Series Certificate relating to such Series of Bonds.

Except as otherwise provided in the Resolution and any applicable Series Resolution or Bond Series Certificate, moneys in the Finance Fund shall be applied only to pay the Costs of the applicable Finance Fund Purpose in accordance with the terms of the Financing Agreement. A separate account within the Finance Fund (a "Other Purpose Account") appropriately named shall be established for each purpose financed or refinanced under any Other Purpose Agreement in connection with which Bonds have been issued. For purposes of internal accounting or other purposes, the Authority may establish one or more other accounts and subaccounts in the Finance Fund. *(Section 5.04)*

Deposit of Revenues and Allocation Thereof

The Revenues which, pursuant to the Financing Agreement and Resolution are required to be paid to the Trustee, shall be paid to the Trustee and upon receipt thereof shall be deposited by the Trustee into the Revenue Fund and then applied in the following order of priority:

First: To the credit of the Debt Service Account the amount, if any, necessary to make the amount on deposit in the Debt Service Account equal to Debt Service for such Bond Year;

Second: Upon direction of an Authorized Officer of the Authority to each Facility Provider (excluding amounts payable as and for Associated Costs as described in the next paragraph and amounts payable under Parity Reimbursement Obligations as described in paragraph First above) for payments when due in such Bond Year under any Ancillary Bond Facility provided by such Facility Provider, with such amount set forth in such direction constituting the "Annual Ancillary Bond Facility Payments";

Third: In the event of any prior withdrawal from or deficiency in the Debt Service Reserve Fund, to the Debt Service Reserve Fund, the amount necessary to make the amount on deposit in such Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement; and

Fourth: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the Rebate Amount set forth in such direction.

In the event pursuant to the Financing Agreement, the Assessments include Associated Costs in an amount which, pursuant to the clause (ii) of the definition of Assessments, is required to be imposed in excess of the amount that would otherwise be required to be imposed pursuant to clause (i) of such definition and the Chair has instructed the Commissioner to transfer such Associated Costs as additional Revenues to the Trustee for deposit either in the Debt Service Account, to be applied toward Debt Service, or credited toward the following years Debt Service, or applied toward redemption of Bonds, an Authorized Officer of the Authority shall so advise the Trustee and the Trustee shall so apply such additional Revenues.

The Trustee shall notify the Authority promptly after making the payments required by paragraph First above of any balance remaining from such Revenues.

After the Trustee's receipt of Revenues sufficient to make the deposits required by the preceding paragraphs, the balance of the Revenues shall be applied, pursuant to a Certificate of an Authorized Officer for any remaining Associated Costs for such Bond Year as established pursuant to the Financing Agreement. Thereafter, upon the direction of an Authorized Officer of the Authority, the remaining amount in the Revenue Fund shall be paid by the Trustee to the Authority in accordance with the Financing Agreement, free and clear of the lien and pledge of the Resolution or remain in the Revenue Fund. (*Section 5.05*)

Debt Service Account

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself as a Paying Agent and any other Paying Agent the amount of:

- (a) the interest due on all Outstanding Bonds on such interest payment date;
- (b) the principal and Sinking Fund Installments due on all Outstanding Bonds on such interest payment date;
- (c) the interest payable on Notes and the Note Amortization Payments, if any; and
- (d) moneys required for the redemption or purchase of Bonds in accordance with the Resolution.

The amount paid out shall continue to be subject to the pledge of the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to the payments due on such interest payment date to the Holders of Bonds in accordance with the Resolution.

On the fourth Business Day preceding any interest payment date, and prior to any withdrawal from the Debt Service Account on such date, transfers shall be made from the Capitalized Interest Account to the Debt Service Account, in the respective applicable amounts and otherwise in accordance with each Series Resolution or Bond Series Certificate requiring the deposit to the Capitalized Interest Account of proceeds from the sale of a Series of Bonds. Each amount so transferred with respect to a Series shall be held in the Debt Service Account for, and applied solely to, the payment on the next succeeding interest payment date of scheduled interest then due upon such Series. In the event that, subsequent to the completion of each such transfer with respect to any interest payment date, the amount available in the Debt Service Account for such purposes shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, together with the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall advise the Authority of such deficiency and shall withdraw from the Debt

Service Reserve Fund and deposit to the Debt Service Account in accordance with the direction of the Authority such amount as will increase the amount therein to an amount sufficient to make such payments. The Trustee shall immediately notify each Facility Provider of a withdrawal from the Debt Service Reserve Fund.

The Authority may, at any time subsequent to June 1 or December 1 of any Bond Year on which principal or Sinking Fund Installments of Outstanding Bonds are due and payable but in no event later than the forty-fifth (45) day preceding the succeeding June 1 or December 1, as the case may be, on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Account, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bonds so purchased shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such June 1 or December 1, as the case may be; provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

In the event that on any interest payment date the amount in the Debt Service Account shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds, for the payment of principal of the Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, the Trustee shall, after the withdrawals made as described in the second preceding paragraph, apply moneys in the Debt Service Account deposited therein for the redemption of Bonds (other than: (i) moneys held solely for payment of scheduled interest or principal upon any Series of Outstanding Bonds; or (ii) moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority, to pay interest on, principal of or Sinking Fund Installment of Bonds, respectively.

Moneys in the Debt Service Account in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding interest payment date, the interest on Outstanding Bonds payable on the next succeeding interest payment date and the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. The Trustee shall cancel any Bonds so purchased pursuant to this provision.

Notwithstanding the provisions of the preceding paragraph, if the amount in the Debt Service Account at any time (other than: (i) moneys held solely for payment of scheduled interest or principal upon any Series of Outstanding Bonds; or (ii) moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) is sufficient to make provision pursuant to the Resolution for the payment of such Outstanding Bonds at the maturity or redemption date thereof as the Authority may select, the Authority may request the Trustee to take such action consistent with the Resolution as is required thereby to deem such Bonds to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of the Authority to purchase Defeasance Securities sufficient to make any deposit required thereby, shall comply with such request.

Any Series Resolution or related Bond Series Certificate authorizing Ancillary Bond Facility (including a Parity Reimbursement Obligation) shall include provisions for the payment of such Ancillary Bond Facility (including any Parity Reimbursement Obligations) from the Debt Service Fund when the same shall become due and payable. (*Section 5.06*)

Debt Service Reserve Fund

The Trustee shall deposit to the Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as shall be prescribed in the Series Resolution authorizing the issuance of such Series of Bonds or the Bond Series Certificate relating to such Series.

In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds for all or any part of the Debt Service Reserve Requirement; provided, however, (i) that any such Reserve Fund Facility that is a surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest Rating Category accorded by a nationally recognized insurance Rating Agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest Rating Category by Moody’s and S&P or, if Outstanding Bonds are not rated by both Moody’s and S&P, by whichever of said Rating Services that then rates Outstanding Bonds; and (ii) that any such Reserve Fund Facility that is a letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest Rating Category by Moody’s and S&P or, if Outstanding Bonds are not rated by Moody’s and S&P, by whichever of said Rating Services that then rates Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee and each Facility Provider of a Reserve Fund Facility shall have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to each Facility Provider and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Each Reserve Fund Facility shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made in whole from cash and investment securities held in the Debt Service Reserve Fund without obtaining payment under such Reserve Fund Facility.

For the purposes of the Resolution, in computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Account at the times and in the amounts required to pay the interest on and Sinking Fund Installments of the Outstanding Bonds due and payable, together with the purchase price or Redemption Price of Outstanding Bonds and accrued interest thereon to the date of purchase or redemption; provided, however, that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund as described in this paragraph cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided, further, that, if more than one Reserve Fund Facility is held for the credit of the Debt

Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required, but in no event less than two (2) Business Days prior to such interest payment date.

The income or interest earned on investments held in the Debt Service Reserve Fund, upon the direction of an Authorized Officer of the Authority, shall be withdrawn by the Trustee and deposited in the Arbitrage Rebate Fund or Debt Service Account in the Revenue Fund in accordance with such direction. If the value on December 2 of the moneys and investments then held in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, such excess shall be withdrawn by the Trustee and, upon direction of an Authorized Officer of the Authority, deposited in the Arbitrage Rebate Fund or the Revenue Fund in accordance with such direction; provided, however, that if excess results from the substitution of a Reserve Fund Facility for moneys or investments in the Debt Service Reserve Fund, such amount shall not be deposited in the Revenue Fund unless, in the opinion of Bond Counsel, such application will not adversely effect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

Notwithstanding the provisions of the Resolution, if, upon a Bond having been deemed to have been paid in accordance with the Resolution or redeemed prior to maturity, the moneys and investments held for the credit of the Debt Service Reserve Fund will exceed the Debt Service Reserve Fund Requirement, then the Trustee shall, upon the direction of an Authorized Officer of the Authority, withdraw all or any portion of such excess from the Debt Service Reserve Fund and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or to fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond or (ii) to pay such amount to the Authority for deposit to the Finance Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Finance Fund Purpose will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided, however, that after such withdrawal the amount remaining in the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Fund Requirement.

If the moneys and investments held for the credit of the Debt Service Reserve Fund on December 2 of a Bond Year are less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Chair of such deficiency. The amount necessary to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement shall be deposited in the Debt Service Reserve Fund in one (1) installment from the next Assessments. (*Section 5.07*)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Authority or any qualified person for deposit therein or transferred by it or paid to it by the Authority in accordance with the provisions of the Resolution for deposit therein. The Trustee shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions, and the Authority may withdraw from the Finance Fund and pay to the Trustee for deposit to the Arbitrage Rebate Fund, such amounts as shall be determined by the Authority to be necessary to comply with the Code.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Division of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Division of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any fund or account held pursuant to the Resolution or to the Finance Fund in accordance with the directions of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and, if necessary, transfer such amount from the Finance Fund to the Trustee and direct the Trustee to (i) transfer such amount, if necessary, from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Division of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto. *(Section 5.09)*

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Account and the Capitalized Interest Account, together with any cash and investments held in the Debt Service Reserve Fund, after making any necessary transfer to the Arbitrage Rebate Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Director of the Budget. Upon receipt of such notice, the Authority may direct the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds thereby and by each Series Resolution as provided in the Resolution. *(Section 5.10)*

Transfer of Investments

Whenever moneys in any fund or account established by the Resolution or by any Series Resolution are to be paid in accordance therewith to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or restriction applicable to moneys in such fund or in a violation of the Resolution, relating to the exclusion from gross income of the interest on certain Bonds for federal income taxation purposes. *(Section 5.11)*

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys. *(Section 6.01)*

Investment of Funds and Accounts

Money held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Permitted Investments; provided, however, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investments shall have a market value, determined by the Trustee or its agent periodically, but no less frequently

than weekly, at least equal to the amount deposited or invested including accrued interest thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

To the extent permitted by law, the Authority shall invest money in the Finance Fund in Permitted Investments; provided, however, that each such investment shall permit the money to be deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investments shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

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

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

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

No part of the proceeds of a Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond of a Series to be an "arbitrage bond" within the meaning of Section 148(a) of the Code. (*Section 6.02*)

Liability for Investments

Neither the Authority nor the Trustee shall have any liability arising out of or in connection with any investment authorized by the provisions of the Resolution, in the manner provided in the Resolution, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any investment. (*Section 6.03*)

PARTICULAR COVENANTS

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof. (*Section 7.01*)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Director of the Budget, the Trustee or of any Holder of any Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Credit Facility Provider (if any), the Commissioner, Chair and Director of the Budget. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection herewith and with each Series Resolution; a statement that the balance in the Debt Service Reserve Fund meets the requirement of the Resolution and of the applicable Series Resolution; and a statement that, in making such report, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution or of each Series Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof. *(Section 7.05)*

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the Pledged Property, or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created thereby, and (ii) incurring obligations or indebtedness to any Facility Provider as a Parity Reimbursement Obligation which are secured by a lien on and pledge of the Pledged Property which are equal to the lien and pledge thereon made by the Resolution. *(Section 7.06)*

Enforcement of Duties and Obligations under the Financing Agreement; Amendment

The Authority shall take all legally available action to cause the other parties to the Financing Agreement to perform fully all duties and acts and comply fully with the covenants required by the Financing Agreement in the manner and at the times provided in the Financing Agreement. An amendment to the Financing Agreement that materially and adversely affects or diminishes the rights of the Holders of the Bonds is permitted and may be agreed to by the Authority only with either consent of such Holders pursuant to the voting described below under the caption "SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS — Powers of Amendment" or a Rating Confirmation. *(Section 7.07)*

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is thereby appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions described in this paragraph shall be subject to the provisions of the Resolution. *(Section 7.09)*

Payment of Lawful Charges

Except as otherwise provided thereby and by the Financing Agreement, the Authority shall not create or suffer to be created any lien or charge upon the Revenues or Pledged Assessments, or any fund or account created under the Resolution or under any Series Resolution, except the pledge and lien of the Resolution and of the Bonds. *(Section 7.11)*

State Pledge

The Enabling Act provides the Authority is authorized to include the following covenant of the State, as a contract of the State, in any agreement with the Owner of any Bonds issued pursuant to the Resolution and in any Ancillary Bond Facility. Notwithstanding these pledges and agreements by the State, the Attorney General of the State may in his or her discretion enforce any and all provisions related to the Special Disability Fund, without limitation.

The State, solely with respect to the resources of the Special Disability Fund and as set forth in the Financing Agreement, covenants with the purchasers and all subsequent owners and transferees of Bonds issued by the Authority pursuant to the Enabling Act and the Resolution in consideration of the acceptance of the payment of the Bonds, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action or proceeding on behalf of the owners, are fully met and discharged or unless expressly permitted or otherwise authorized by the terms of each Financing Agreement and any contract made or entered into by the Authority with or for the benefit of such owners:

1. that in the event Bonds are sold as federally tax-exempt Bonds, the State shall not take any action or fail to take action that would result in the loss of such federal tax exemption on said Bonds, (ii) that the State will cause the Workers' Compensation Board to impose, charge, raise, levy, collect and apply the Pledged Assessments and other revenues, receipts, funds or moneys pledged for the payment of Annual Debt Service Payment due in each year in which Bonds are outstanding, and (iii) further, that the State (A) will not materially limit or alter the duties imposed on the Workers' Compensation Board, the Authority and other officers of the State by the Financing Agreement and the Resolutions authorizing the issuance of Bonds with respect to application of Pledged Assessments for the payment of the Annual Debt Service Payment, (B) will not issue any bonds, notes or other evidences of indebtedness, other than pursuant to the subdivision five of [section 1680-1 of the public authorities law], having any rights arising out of paragraph (h) of subdivision eight of section fifteen of the workers' compensation law or [section 1680-1 of the public authorities law] or secured by any pledge of or other lien or charge on the Pledged Property for the payment of Annual Debt Service Payment, (C) will not create or cause to be created any lien or charge on the pledged Revenues, other than a lien or pledge created thereon pursuant to said sections, (D) will carry out and perform, or cause to be carried out and performed, each and every promise, covenant, agreement or contract made or entered into by the Financing Agreement, by the Authority or on its behalf with the Bond Owners of any Bonds, (E) will not in any way impair the rights, exemptions or remedies of the Bond owners, and (F) will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the appropriate officers of the State to impose, maintain, charge or collect the Assessments and other revenues or receipts constituting the pledged Revenues as may be necessary to produce sufficient revenues to fulfill the terms of the proceedings authorizing the issuance of the Bonds, including Pledged Assessment coverage requirements; provided, however, (i) the remedies available to the Authority and the Bondholders for any breach of the pledges and agreements of the State set forth in this subclause shall be limited to injunctive relief, (ii) nothing in [subdivision 10 of section 1680-1 of the public authorities law] shall prevent the Authority from issuing evidences of indebtedness (A) which are secured by a pledge or lien which is, and shall on the face thereof, be expressly subordinate and junior in all respects to every lien and pledge created by or pursuant to said sections, or (B) which are secured by a pledge of or lien on moneys or funds derived on or after the date every pledge or lien thereon created by or pursuant to said sections shall be discharged and satisfied, and (iii) nothing in [subdivision 10 of section 1680-1 of the public authorities law] shall preclude the State from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the character of the Pledged Assessments or Revenues or to substitute like or different sources of assessments, taxes, fees, charges or other receipts as pledged revenues if and when adequate provision shall be made by law for the protection of the Holders of Outstanding Bonds pursuant to the proceedings under which the Bonds are issued, including changing or altering the method of establishing the Assessments.

2. Pursuant to the Enabling Act and subject to the foregoing provision, the assets of the Special Disability Fund shall only be available for the purposes set forth in the Enabling Act and the assets thereof shall not at any time be appropriated or diverted to any other purpose or use.

3. All monies received on account of any Assessment under [subparagraphs (4) and (5) of paragraph (h) of subdivision 8 of section 15 of the workers' compensation law] shall be applied first in accordance

with the Enabling Act and in accordance with the Financing Agreement until the financial obligations of the Authority under the Resolution are met and all Associated Costs payable to the Authority have been discharged, notwithstanding any other provision of law respecting secured transactions. (*Section 7.12*)

Tax Exemption; Rebates

The following provisions shall not apply to Bonds the interest on which is not intended to be excluded from gross income for federal income taxation purposes, as specified in an applicable Series Resolution or Bond Series Certificate.

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Series the interest on which is intended to be so excluded, the Authority shall comply with the provisions of the Code applicable to the Bonds of a Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of a Series of Bonds, reporting of earnings on the Gross Proceeds of a Series of Bonds, and rebates of Excess Earnings to the Division of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the Tax Certificate delivered by the Authority and the letter of instructions, if any, delivered by Bond Counsel, at the time the Bonds of a Series are issued as to compliance with the Code with respect to such Series of Bonds, as such Tax Certificate and letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action with respect to the application and investment of Gross Proceeds of Bonds which would cause a failure to comply with the provisions of Sections 103 and 141 to 150 of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of a Series shall not entitle the Holder of Bonds of any other Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Holders of Bonds under the Resolution based upon the Authority's failure to comply with the provisions of Section 7.13 of the Resolution or of the Code. (*Section 7.13*)

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

Modification and Amendment Without Consent

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

(a) To provide for the issuance of one or more Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

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

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

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

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

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

(g) To modify certain of the provisions of the Resolution described above under the caption “SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS — Investment of Funds and Accounts” in any respect providing that Rating Confirmation is obtained; or

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable if any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of the Bonds in any material respect. *(Section 9.01)*

Supplemental Resolutions Effective With Consent of Holders of Bonds

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. *(Section 9.02)*

General Provisions Relating to Series Resolutions and Supplemental Resolutions

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

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

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

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby. *(Section 9.03)*

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in the Resolution, (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of each Series so affected and outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the provision of the Resolution described in this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the provision of the Resolution described in this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution. (*Section 10.01*)

Consent of Holders of Bonds

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provision of the Resolution described above under the caption “—Powers of Amendment” to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Bonds (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as in the Resolution provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted thereby, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Holder of Bonds shall be binding upon the Holder of the Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have

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

For the purposes of amendments to the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority. (*Section 10.02*)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Holders of Bonds either by mailing or publication shall be required. (*Section 10.03*)

DEFAULTS AND REMEDIES

Events of Default

An event of default shall exist under the Resolution if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) The Authority shall default in the due and punctual performance of the covenants relating to tax exemption contained in the Resolution and, as a result thereof, the interest on the Bonds of a Series to which such covenants apply shall no longer be excluded from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds. *(Section 11.02)*

Enforcement of Remedies

Upon the happening and continuance of any event of default specified above under the caption “DEFAULTS AND REMEDIES — Events of Default”, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of an event of default described in paragraph (c) under such caption, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the laws of the State or under the Resolution or under any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, provided, however, that the Resolution provides that neither the Trustee nor Holders may declare the principal of all of the Outstanding Bonds and interest accrued thereon to be due and payable and such remedy of a Trustee is abrogated.

In the enforcement of any remedy under the Resolution and under each Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any event of default described above under the caption “DEFAULTS AND REMEDIES — Events of Default” becoming, and at any time remaining, due from the Authority for principal, Redemption Price or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable. *(Section 11.04)*

Priority of Payments After Default

If at any time the moneys held by the Trustee under the Resolution and under each Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable, such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after first depositing in the Arbitrage Rebate Fund all amounts required to be deposited therein and then paying all amounts owing to the Trustee under the Resolution) as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in the Bonds; and

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Bonds due on any date, then to the payment thereof ratably, according to the amount of

principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution described in the preceding paragraph, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of the Resolution shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement. (*Section 11.05*)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of a majority in principal amount of the Outstanding Bonds, or, in the case of an event of default resulting from a default in the due and punctual performance of covenants relating to tax exemption, the Holders of a majority in principal amount of Outstanding Bonds of the Series affected thereby, shall have the right to direct, by an instrument in writing executed and delivered to the Trustee, the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and the Series Resolution for each such Series of Bonds affected, provided, that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of the Series Resolution for each such Series of Bonds affected, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction. (*Section 11.07*)

Limitation of Rights of Individual Bondholder

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of an event of default resulting from a default in the due and punctual performance of covenants relating to tax exemption, the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are thereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds affected thereby. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity of such Bond (or, in

the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. (*Section 11.08*)

DEFEASANCE

If the Authority shall pay or cause to be paid to the Holders of the Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution and in the applicable Series Resolution and the applicable Bond Series Certificate, then the pledge of the Revenues, or other moneys and securities pledged thereby to such Bonds and all other rights granted thereby to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or securities held by it pursuant hereto and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series not theretofore surrendered for such payment or redemption or for any other purposes of the Resolution shall be first deposited in the Arbitrage Rebate Fund in accordance with the direction of an Authorized Officer of the Authority and thereafter paid or delivered by the Trustee to the Authority, in each case, free from any trust, pledge, lien, encumbrance or security interest created thereby or by the Financing Agreement.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which, when due, will provide moneys which without regard to reinvestment, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of which Series of Bonds or which maturity within a Series or the principal amount of Bonds within a maturity of a Series payment of which shall be made in accordance with the Resolution. The Trustee shall select which Bonds of like Series and maturity payment of which shall be made in accordance with the Resolution in the manner provided therein. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and subject to any applicable tax covenant, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further that moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal,

Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, paid by the Trustee as follows: first to the Arbitrage Rebate Fund the amount specified to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; and, then the balance thereof to the Authority. The moneys so paid by the Trustee shall be released and free from any trust, pledge, lien, encumbrance or security interest created thereby or by the Financing Agreement.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority. (*Section 12.01*)

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

December __, 2010

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$102,395,000 aggregate principal amount of Pledged Assessment Revenue Bonds, Series 2010A (Federally Taxable) (the "Series 2010A Bonds") of the Dormitory Authority (the "Authority"), of the State of New York (the "State"), a body corporate and politic of the State, constituting a public benefit corporation and existing under the provisions of law enacted or amended by Chapter 6 of the Laws of 2007, including the Workers' Compensation Law of the State of New York and the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State (the "Enabling Act").

The Series 2010A Bonds are issued under and pursuant to the Enabling Act and the Pledged Assessment Revenue Bond Resolution adopted by the Authority on October 28, 2009 (the "Bond Resolution"), as supplemented by a Pledged Assessment Revenue Series Resolution authorizing the issuance of the Series 2010A Bonds, adopted by the Authority on October 28, 2009 (the "Series 2010A Series Resolution"). The Bond Resolution and the Series 2010A Series Resolution are herein collectively referred to as the "Resolutions". Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions. The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution and without limitation as to amount except as provided by the Bond Resolution or as may be limited by the Enabling Act as then in effect. Under and subject to the terms of the Bond Resolution, the Series 2010A Bonds and all Bonds hereafter issued and Parity Reimbursement Obligations, if any, payable under the Bond Resolution are secured equally and ratably by the Pledged Property.

The Authority, the Chair of the Workers' Compensation Board (the "Chair") and the Commissioner of Finance and Taxation of the State (the "Commissioner") have entered into a Pledged Assessment Revenue Bond Financing Agreement, as supplemented by Supplemental Financing Agreement No. 1 (collectively, the "Financing Agreement"), each dated as of October 28, 2009, by which the Chair is obligated to assess, levy and collect Assessments including those annually to pay Debt Service including the principal of and interest on Outstanding Series 2010A Bonds and Associated Costs (collectively, the "Annual Debt Service Payment"). All amounts of Assessments calculated in accordance with the Financing Agreement and required by the Enabling Act to be assessed, levied or collected by the Chair, including the amount projected for the Annual Debt Service Payment, are pursuant to the Financing Agreement: (i) payable upon receipt by the Chair to the Commissioner; and (ii) from the first amounts of such Assessments so received by the Commissioner to be deposited into the Revenue Fund held by the Trustee in the amount of the Annual Debt Service Payment. The amount of the Annual Debt Service Payment so deposited and the right to receive such amount first under the Financing Agreement, among other things, has been pledged as Pledged Property by the Authority pursuant to the Resolutions. The Enabling Act and the Financing Agreement provide that the Assessments cannot be disbursed for any purpose other than making the Annual Debt Service Payment until the full amount of the Annual Debt Service Payment due in such calendar year has been transferred to the Trustee for deposit into the Revenue Fund under the Resolution.

We are of the opinion that:

1. The Authority has been duly created as a body corporate and politic constituting a public benefit corporation of the State, and is validly existing under the Enabling Act, has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority and enforceable in accordance with their respective terms.

2. The Resolutions create the valid pledge of and first lien on the Pledged Property which they purport to create, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions. Pursuant to the Enabling Act, such lien is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties had notice thereof.

3. The Series 2010A Bonds have been duly and validly authorized and issued by the Authority in accordance with the State Constitution and statutes of the State including the Enabling Act and in accordance with the Resolutions and are legal, valid and binding special obligations of the Authority, payable solely from the Pledged Property, including the Revenues, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the benefits of the Resolutions and the Enabling Act.

4. The Series 2010A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2010A Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2010A Bonds.

5. The Financing Agreement has been authorized, executed and delivered by parties thereto pursuant to the Enabling Act and constitutes a legal, valid and binding obligation of the parties thereto enforceable in accordance with its terms.

6. The Enabling Act has validly provided for the levy, assessment and collection of Assessments in amounts at least equal to the Annual Debt Service Payment, and the State has validly covenanted pursuant to the Enabling Act, among other things, not to materially limit or alter the duties imposed on the Chair, the Commissioner and the Authority under the Resolutions and the Financing Agreement with respect to, and not to limit, modify, rescind, repeal or otherwise alter the rights or obligations of the chair to impose, maintain, charge or collect the Pledged Assessments as may be necessary to produce sufficient revenues to fulfill the requirements of the Resolutions and the Financing Agreement, including the Annual Debt Service Payment; provided, that the State shall not be precluded from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the character of the Pledged Assessment, or to substitute like or different sources of assessments, taxes, fees, charges or other receipts as pledged revenues, if and when adequate provisions shall be made by law for the protection of the holders of the Outstanding Bonds, including the Series 2010A Bonds.

7. Interest on the Series 2010A Bonds is includable in gross income for Federal income tax purposes. Under existing statutes, interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2010A Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exemption from personal income taxes of interest on the Series 2010A Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2010A Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2010A Bond, and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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