

Moody's: Aaa

S&P: AAA

Fitch: AAA

(See "Ratings" herein)

NEW ISSUE



DAC Bond

**\$369,700,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK  
EMPLOYER ASSESSMENT REVENUE BONDS,  
SERIES 2013A (FEDERALLY TAXABLE)**

**Dated: Date of Issuance**

**Due: December 1, as shown on inside cover**

**Payment:** The Dormitory Authority of the State of New York Employer Assessment Revenue Bonds, Series 2013A (Federally Taxable) (the "Series 2013A Bonds") will be issued pursuant to the Enabling Act (as defined herein) and will be special revenue obligations of the Dormitory Authority of the State of New York ("DASNY"). Principal and Redemption Price of, and interest on, the Series 2013A Bonds are payable from certain Employer Assessments (as defined herein) to be levied and collected by the Chair (the "Chair") of the New York State Workers' Compensation Board (the "Board") pursuant to the Financing Acts (as defined herein) and the Employer Assessment Revenue Bond Financing Agreement, dated as of October 9, 2013 (the "2013 Financing Agreement"), among DASNY, the Chair and the Commissioner of Taxation and Finance of the State of New York (the "Commissioner"), and as provided by the Employer Assessment Revenue Bond Resolution (the "Resolution") and the Employer Assessment Revenue Bond Supplemental Resolution (the "2013A Supplemental Resolution" and, collectively with the Resolution, the "Resolutions") authorizing the issuance of the Series 2013A Bonds, each adopted by DASNY on October 9, 2013.

**DASNY has no taxing power. Pursuant to the Enabling Act, the Series 2013A 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 2013A Bonds. The State and DASNY shall not be liable to make any payments thereon nor shall any Series 2013A Bond be payable out of any funds or assets other than the Employer Assessments, and other funds and accounts held by U.S. Bank, National Association, as trustee (the "Trustee") and pledged therefor pursuant to the Resolutions.**

**Description:** The Series 2013A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2013A 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 2013A Bonds is payable on each December 1 and June 1, commencing June 1, 2014.

The Series 2013A 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 2013A Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2013A Bonds, payments of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2013A 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 2013A BONDS—Book-Entry Only System" herein.

**Redemption:** *The Series 2013A Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein. See "PART 2—DESCRIPTION OF THE SERIES 2013A BONDS—Redemption Provisions" herein.*

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to DASNY, interest on the Series 2013A 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 13—TAX MATTERS" herein.

*The Series 2013A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2013A 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 DASNY, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Patton Boggs LLP, New York, New York and the Hardwick Law Firm L.L.C., New York, New York, co-counsel to the Underwriters. DASNY expects to deliver the Series 2013A Bonds in definitive form in New York, New York, on or about December 19, 2013.*

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

**Barclays**

**Morgan Stanley**

**Rice Financial Products Company**

**Jefferies**

**Ramirez & Co., Inc.**

**Goldman, Sachs & Co.**

**M.R. Beal & Company**

**Raymond James**

**Wells Fargo Securities**

**\$369,700,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK  
EMPLOYER ASSESSMENT REVENUE BONDS,  
SERIES 2013A (FEDERALLY TAXABLE)**

<b><u>Due December 1</u></b>	<b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP<sup>(1)</sup></u></b>
2015	\$13,990,000	0.493%	0.493%	649907XN7
2016	14,060,000	0.874	0.874	649907XP2
2017	14,180,000	1.550	1.550	649907XQ0
2018	14,390,000	2.050	2.050	649907XR8
2019	14,675,000	2.596	2.596	649907XS6
2020	15,050,000	2.946	2.946	649907XT4
2021	15,480,000	3.292	3.292	649907XU1
2022	16,150,000	3.542	3.542	649907XV9
2023	16,540,000	3.742	3.742	649907XW7
2024	17,145,000	3.892	3.892	649907XX5
2025	17,805,000	4.042	4.042	649907XY3
2026	18,515,000	4.192	4.192	649907XZ0
2027	19,280,000	4.292	4.292	649907YB2

**\$162,440,000 4.802% Term Bonds due December 1, 2034, Yield: 4.802% CUSIP<sup>(1)</sup> 649907YA4**

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<sup>(1)</sup> CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2013A Bonds. Neither DASNY 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 2013A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013A 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 2013A Bonds.

*No dealer, broker, salesperson or other person has been authorized by DASNY, the State or the Underwriters to give any information or to make any representations with respect to the Series 2013A Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by DASNY, the State or the Underwriters.*

*This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.*

*Certain information in this Official Statement has been supplied or authorized by the Chair, DTC and other sources that DASNY believes are reliable. DASNY 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 DASNY. See "PART 21—SOURCES OF INFORMATION AND CERTIFICATIONS" of the Official Statement for a description of the information provided by the various sources.*

*The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.*

*References in this Official Statement to the Financing Acts (including the Enabling Act), the Resolutions, the 2013 Financing Agreement and the Continuing Disclosure Agreement do not purport to be complete. Refer to the Financing Acts, the Resolutions, the 2013 Financing Agreement and the Continuing Disclosure Agreement for full and complete details of their provisions. Copies of the Resolutions, the 2013 Financing Agreement and the Continuing Disclosure Agreement are on file with DASNY and the Trustee.*

*The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in 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 DASNY or the Board have remained unchanged after the date of this Official Statement.*

*IN CONNECTION WITH THE OFFERING OF THE SERIES 2013A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2013A BOND 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**

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**\$369,700,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**EMPLOYER ASSESSMENT REVENUE BONDS,**  
**SERIES 2013A (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 2013A 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 established a compulsory no-fault workers’ compensation system in 1914 which is currently governed by the State’s Workers’ Compensation Law (the “Workers’ Compensation Law”). In recent years the State enacted Chapter 6 of the Laws of 2007, which added Section 1680-l to the Dormitory Authority Act (collectively, the “2007 Reform Act”) and Chapter 57 of the Laws of 2013 (the “2013 Business Relief Act”). Together, the 2007 Reform Act and the 2013 Business Relief Act made changes to the State’s workers’ compensation system. The 2013 Business Relief Act added Section 1680-q to the Dormitory Authority Act (the “Enabling Act”) and amended certain provisions of the Workers’ Compensation Law. The 2007 Reform Act, the 2013 Business Relief Act and each of the Workers’ Compensation Law and the Dormitory Authority Act, as amended thereby, are collectively referred to herein as the “Financing Acts.”

The 2007 Reform Act closed the Special Disability Fund (the “SDF”) to new claims and authorized DASNY to issue up to approximately \$4.55 billion of its revenue bonds to address certain unfunded SDF liabilities. On December 9, 2010, DASNY issued \$102,395,000 of its Pledged Assessment Revenue Bonds, Series 2010A (Federally Taxable) (the “Series 2010 Bonds”) under DASNY’s Pledged Assessment Revenue Bond Resolution (the “Series 2010 Resolution”) of which approximately \$70.4 million are currently outstanding.

The Enabling Act authorizes DASNY to issue up to \$900 million of its revenue bonds to cover the costs of unmet workers’ compensation obligations of individual and group self-insurers, both public and private (collectively, “Self-Insurers”), including by paying for the acquisition of assumption of workers’ compensation liability policies (“ALPs”) to transfer such workers’ compensation claims liabilities to third party insurers (collectively, “Self-Insurer Purposes”). The Series 2013A Bonds are the initial issuance of bonds pursuant to the Enabling Act and the Resolutions and the second issuance of bonds to be issued pursuant to the Financing Acts. See “PART 1—INTRODUCTION—Authorization of Issuance.”

The Series 2013A Bonds are special obligations of DASNY, secured by a pledge of a portion of the unified annual assessment to be paid by employers pursuant to Section

151 of the Workers' Compensation Law (the "Employer Assessment" or "Employer Assessments"). The Employer Assessments so pledged by DASNY under the Resolutions (the "Pledged Employer Assessments") are to be applied by the Trustee to the payment of annual debt service on and certain associated costs of the Series 2013A Bonds and of any additional bonds or notes that may be issued under the Resolution (collectively, "Bonds").

**Employer Assessment and Priority of Application**

Under the 2007 Reform Act, the Series 2010 Bonds were secured by the levy and collection of an assessment for SDF purposes that was one of several separate assessments (the "Prior Assessments"), which were based on a variety of assessment methodologies, and were imposed on insurance carriers, the State Insurance Fund and Self-Insurers (collectively, the "Prior Assessment Payers"). The 2013 Business Relief Act combined the Prior Assessments into the unified annual Employer Assessment.

Pursuant to the 2013 Business Relief Act, effective January 1, 2014, the full amount required to pay debt service on and certain associated costs related to the Series 2010 Bonds shall be payable from the first monies received on account of the Employer Assessments in each year while the Series 2010 Bonds remain Outstanding. The 2013 Business Relief Act further provides that, after such first monies are received and applied, the debt service on and associated costs of all other bonds that DASNY is currently authorized to issue for workers' compensation purposes, including the Series 2013A Bonds, shall be payable from all remaining monies received on account of the Employer Assessments in each year while such bonds remain outstanding as a second priority to the payment of the Series 2010 Bonds, but prior to any other use. Any additional bonds that may be issued by DASNY for workers' compensation purposes and which may be payable from Employer Assessments will be so payable on a basis of parity with, or will be subordinate to, the Series 2013A Bonds. DASNY currently expects that all future revenue bonds issued for all future workers' compensation purposes will be issued exclusively under the Resolution. See "PART 1—INTRODUCTION—Authorization of Issuance."

**Purpose of the Issue**

Proceeds of the Series 2013A Bonds may be used to:

- acquire ALPs for claims associated with the unmet obligations of Self-Insurers;
- fund the cost of on-going claims associated with the unmet obligations of Self-Insurers;
- pay capitalized interest on the Series 2013A Bonds; and
- pay certain items of expense related to the authorization, sale and issuance of the Series 2013A Bonds ("Costs of Issuance").

See "PART 1—INTRODUCTION—Purpose of the Issue," "PART 4—PLAN OF FINANCE" and "PART 5—ESTIMATED SOURCES AND USES OF FUNDS."

**Workers' Compensation System**

The State's workers' compensation system is designed to pay for the medical treatment and provide wage replacement benefits, also known as indemnity benefits, to workers arising from work related injuries and disease. Virtually all private and public employers in the State are required to provide workers' compensation coverage for their employees, with certain limited exceptions such as uniformed police and fire personnel. Employers may satisfy this requirement by obtaining workers' compensation liability policies or through self-insurance. Employers may obtain insurance coverage from a private insurance carrier authorized to offer workers' compensation insurance in the State (each, an "Insurance Carrier") or from the State Insurance Fund ("SIF"). An employer who chooses to self-insure may do so individually or as part of a group in accordance with the Board's requirements.

The Board administers the State Workers' Compensation Law, including provisions providing for workers' compensation benefits, disability benefits, volunteer firefighters' benefits, volunteer ambulance workers' benefits, and volunteer civil defense workers' benefits, on behalf of the State's injured workers and their employers.

Historically, the Board has levied Prior Assessments to fund its cash flow needs as well as certain specifically funded programs. The Board assessed its administrative and special fund costs to the insurance industry, which includes Insurance Carriers, the SIF, and Self-Insurers. The Prior Assessments fell into two general categories: (1) administrative assessments which support the day-to-day operations of the Board and interdepartmental programs; and (2) special fund assessments which support programs administered by the Board. For 2013, the Board issued Prior Assessment bills for the various administrative and special fund costs which totaled approximately \$1.2 billion. See "PART 1—INTRODUCTION—Purpose of the Issue" and "PART 6—OVERVIEW OF WORKERS' COMPENSATION IN NEW YORK STATE."

### **Workers' Compensation Reforms**

As part of an ongoing series of reforms, the 2007 Reform Act made changes to the State's workers' compensation system. Among other things, the 2007 Reform Act closed the SDF to new cases and authorized DASNY to issue its revenue bonds, including the Series 2010 Bonds, to fund SDF claims payments and related costs.

The State legislature enacted the 2013 Business Relief Act in April 2013, which furthers the reforms undertaken by the 2007 Reform Act. Among other things, the 2013 Business Relief Act :

- provides for the combination of the Prior Assessments, which were based on a variety of assessment methodologies, into the Employer Assessments. Effective January 1, 2014, payment of the Employer Assessments will be the direct payment obligation of each affected employer (each such affected employer referred to as a "Payer"), with Insurance Carriers, the SIF and public and private group Self-Insurers ("Group Self-Insurers") initially having certain collection obligations for their policyholders' or members' payments, as described herein, while public and private individual Self-Insurers ("Individual Self-Insurers") will remit payment of the Employer Assessment directly. The Employer Assessment will be a consistent charge among all of the Payers and will be based upon premium or premium equivalent; and
- authorizes DASNY to issue bonds secured by Employer Assessments for the purposes of funding the costs of unmet obligations of Self-Insurers, and provides for such Employer Assessments to also secure revenue bonds issued to fund the costs of SDF claims.

See "PART 1—INTRODUCTION—Workers' Compensation Reform Legislation" and "PART 6—OVERVIEW OF WORKERS' COMPENSATION IN NEW YORK STATE."

### **Security for Series 2013A Bonds**

The Series 2013A Bonds are special revenue obligations of DASNY that are secured pursuant to the Enabling Act, the Resolutions and the 2013 Financing Agreement, by a pledge of:

- the Revenues, which include: (i) the Employer Assessments in the aggregate amount of Bond debt service; (ii) all earnings on the investment of amounts held in the funds and accounts established under the Resolutions except the Arbitrage Rebate Fund; and (iii) payments paid by any Facility Provider (as defined herein);

- DASNY’s right to receive Pledged Employer Assessments first out of all Employer Assessments received each year by the Chair as provided in the 2013 Financing Agreement (other than DASNY’s right to receive and otherwise apply Employer Assessments to the extent required to fully satisfy the funding requirements pursuant to the Financing Agreement dated as of October 28, 2009 (the “2010 Financing Agreement”) by and among DASNY, the Chair and the Commissioner with respect to the Series 2010 Bonds); and
- any funds and accounts established under the Resolutions, other than the Arbitrage Rebate Fund.

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.”

**DASNY has no taxing power. Pursuant to the Enabling Act, the Series 2013A 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 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 2013A Bonds. The State and DASNY shall not be liable to make any payments thereon nor shall any Series 2013A Bond be payable out of any funds or assets other than the Employer Assessments, and other funds and accounts held by the Trustee and pledged therefor pursuant to the Resolutions.**

**Source of Payment;  
Employer Assessment;  
Rate Covenant**

Pursuant to the 2013 Business Relief Act, the full amount of the Employer Assessments that are required to be calculated, collected and applied to pay the full amount of debt service on and associated costs of the Series 2010 Bonds as required pursuant to the 2010 Financing Agreement (the “2010 Portion of Employer Assessments”) shall be applied, on a first priority basis, to fully satisfy such annual funding requirements. The 2010 Portion of Employer Assessments shall be applied as the monies received first from Employer Assessments in each year by the Board.

The 2013 Business Relief Act further provides that the full amount of the Employer Assessments that are required to be calculated, collected and applied to pay the full amount of debt service on and associated costs of any other bonds that are currently authorized by the Financing Acts, including the Series 2013A Bonds, as required by each applicable financing agreement, including the 2013 Financing Agreement, shall be applied, on a second priority basis to fully satisfy the annual funding requirements of each such financing agreement, prior to any other application. The Employer Assessments that are so required pursuant to the 2013 Financing Agreement (the “2013 Portion of Employer Assessments”), including the right to receive same, are pledged for the payment of the Annual Debt Service Payment, which consists of Debt Service on all Bonds issued under the Resolution, including the Series 2013A Bonds, and associated costs of such Bonds (subject to a reservation by DASNY of the right to retain certain amounts).

Pursuant to the Financing Acts, the 2010 Financing Agreement and the 2013 Financing Agreement, on or before September 1 of each year, DASNY is required to certify to the Chair and the Commissioner the 2010 Portion of Employer Assessments and the 2013 Portion of Employer Assessments required to be levied and collected for the following calendar year.

The 2013 Financing Agreement requires the Chair to levy and collect Employer Assessments based on an Employer Assessment rate covenant (the “Assessment Rate



Covenant”) that generally provides for annual Employer Assessments that are expected to be no less than twice the amount necessary to provide for payment of scheduled principal, anticipated interest and other debt related payments for all the Series 2010 Bonds, the Series 2013A Bonds and all other bonds that may be issued in the future and that are payable from Employer Assessments on a *pari passu* basis with the Bonds.

On or prior to November 1 of each year, the Chair shall establish the Employer Assessment rate (the “Assessment Rate”). The Employer Assessments will be due and payable on a quarterly basis by Self-Insurers, and are to be paid annually by employers covered by private Insurance Carriers or by the SIF upon policy renewal. Such annual payments are to be remitted to the Board by the applicable policy provider on a quarterly basis.

The Chair is required to deposit all payments of the Employer Assessments upon receipt into the Assessment Receipts Account held by the Commissioner, in accordance with the 2010 Financing Agreement and the 2013 Financing Agreement.

The 2013 Financing Agreement provides that, so long as the Series 2010 Bonds are Outstanding, the Commissioner shall immediately, once deposits to the Assessment Receipts Account in any calendar year equal the 2010 Portion of Employer Assessment, transfer such 2010 Portion of Employer Assessment to the trustee for the Series 2010 Bonds (the “Series 2010 Trustee”). The Commissioner may not allow any amount of the Employer Assessment received to be applied or credited for any purpose other than for such transfer until the total amount of the 2010 Portion of Employer Assessment then required to be so transferred pursuant to the 2010 Financing Agreement has been so transferred.

The 2013 Financing Agreement further provides that, immediately after: (i) all transfers of the 2010 Portion of Employer Assessment have been completed; and (ii) the total additional amount of the 2013 Portion of Employer Assessment has been deposited in the Assessment Receipts Account, the Commissioner shall immediately transfer such amount to the Trustee for deposit to the Debt Service Fund in accordance with the 2013 Financing Agreement. Under the 2013 Financing Agreement, the Commissioner is not permitted to 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 Debt Service Fund (and, if applicable, payment of Associated Costs) (with the exception of the prior transfers of the 2010 Portion of Employer Assessment above and certain *pari passu* transfers as described herein), until the total amount of such Annual Debt Service Payment due has been so transferred and deposited in accordance with the 2013 Financing Agreement.

For additional information, see “PART 1—INTRODUCTION—Employer Assessment,” “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS,” “PART 7—SETTING THE EMPLOYER ASSESSMENT,” “APPENDIX A—CERTAIN DEFINITIONS,” “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE 2013 FINANCING AGREEMENT,” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

**Additional Bonds;  
Additional Bonds Test**

DASNY is authorized under the Resolution to issue additional Bonds to the extent permitted by the Financing Acts. Additional Senior Bonds may be issued only if an historical two times coverage test is met and a Rating Confirmation is delivered. The Resolution provides that the aggregate originally issued principal amount of Bonds, of Series 2010 Bonds and of any other bonds payable from Employer Assessments on a *pari passu* basis shall not exceed \$5.45 billion. The Resolution also permits DASNY to secure certain Parity Reimbursement Obligations by a lien on and pledge of Pledged Employer Assessments on a parity with the related Bonds.

DASNY reserves the right to issue bonds payable from and secured by a charge or lien on or right with respect to the Employer Assessments pursuant to trust documents other than the Resolution, so long as such bonds are not payable from transfers of Employer Assessments that are senior to or *pari passu* with Bonds issued under the Resolution or, if on a *pari passu* basis, are subject to the same two times coverage test that would be applicable to Senior Bonds.

See “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds” and “—Other Indebtedness” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—AUTHORIZATION AND ISSUANCE OF BONDS—Provisions for Issuance of Bonds” and “—PARTICULAR COVENANTS — Creation of Liens.”

**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”), DASNY, the Board, the Trustee and Digital Assurance Certification LLC (“DAC”) will enter into a Continuing Disclosure Agreement. See “PART 20—CONTINUING DISCLOSURE.”



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

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

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**\$369,700,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**EMPLOYER ASSESSMENT REVENUE BONDS,**  
**SERIES 2013A (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 DASNY and the Board, all in connection with the offering by DASNY of the Series 2013A 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 State established its compulsory no-fault workers' compensation system in 1914, which is currently governed by the Workers' Compensation Law. The State's workers' compensation system is designed to pay for the medical treatment of workers and provide wage replacement benefits, also known as indemnity benefits, to workers arising from work related injuries and disease. Virtually all private and public employers in the State are required to provide workers' compensation coverage to their employees, with certain limited exceptions such as uniformed police and fire personnel. Employers may satisfy this requirement either: (1) by obtaining workers' compensation insurance from an Insurance Carrier or from the SIF or (2) as a Self-Insurer. See "PART 6—OVERVIEW OF WORKERS' COMPENSATION IN NEW YORK STATE—Workers' Compensation Generally."

The Board administers the State Workers' Compensation Law, including provisions providing for workers' compensation benefits, disability benefits, volunteer firefighters' benefits, volunteer ambulance workers' benefits, and volunteer civil defense workers' benefits, on behalf of the State's injured workers and their employers. The Board assessed its administrative and special fund costs to the insurance industry, which includes Insurance Carriers, the SIF, and Self-Insurers. Historically, a substantial portion of the Board's administrative and special fund expenses have been funded through the collection of several Prior Assessments, which fell into two general categories: (1) administrative assessments which support the day-to-day operations of the Board and certain interdepartmental programs; and (2) special fund assessments which support programs administered by the Board. The Prior Assessments levied against Insurance Carriers and the SIF were typically passed on to insured employers through a surcharge on their annual premiums, which surcharge was based on a percentage of premium, that was subject to annual change. The Prior Assessments levied against the Self-Insurers were based on their proportional share of indemnity payments reported. For 2013, the Board issued Prior Assessment bills for the various administrative and special fund costs which totaled approximately \$1.2 billion. See "PART 6—OVERVIEW OF WORKERS' COMPENSATION IN NEW YORK STATE."

In recent years, the State legislature has enacted certain reforms which are designed to improve the workers' compensation system. The 2007 Reform Act made changes to the State workers' compensation system and amended the Workers' Compensation Law and the Dormitory Authority Act. Among other things, the 2007 Reform Act closed the SDF to new claims and authorized DASNY to issue up to approximately \$4.55 billion of its revenue bonds, including the Series 2010 Bonds, to address certain unfunded SDF liabilities. The Series 2010 Bonds were secured by certain Prior Assessments imposed by the Board on Prior Assessment Payers pursuant to the

2010 Financing Agreement. See “PART 6—OVERVIEW OF WORKERS’ COMPENSATION IN NEW YORK STATE—Workers’ Compensation Reform Legislation—2007 Reform Act.”

Earlier this year, the State legislature enacted the 2013 Business Relief Act, which furthers the reforms undertaken for the State’s workers’ compensation system by the 2007 Reform Act. Among other things, the 2013 Business Relief Act:

- provides for the combination of the Prior Assessments, which were based on a variety of assessment methodologies, into the Employer Assessment. Effective January 1, 2014, payment of the Employer Assessment will be the direct payment obligation of each Payer, with Insurance Carriers, the SIF and Group Self-Insurers initially having certain collection obligations for their policyholders’ payments, as described herein, while Individual Self-Insurers will remit payment of the Employer Assessment directly. The Employer Assessment will be a consistent charge among all of the Payers and will be based upon premium;
- closes the Fund for Reopened Cases to new cases effective January 1, 2014; and
- authorizes DASNY to issue bonds, including the Series 2013A Bonds, that are payable from Employer Assessments to fund the costs of unmet obligations of Self-Insurers, and provides for such Pledged Employer Assessments to also secure additional bonds issued to fund the costs of SDF claims. See “PART 6—OVERVIEW OF WORKERS’ COMPENSATION IN NEW YORK STATE—Workers’ Compensation Reform Legislation—2013 Business Relief Act.”

Proceeds of the Series 2013A Bonds may be used to:

- acquire ALPs for claims associated with the unmet obligations of Self-Insurers;
- fund the cost of on-going claims associated with the unmet obligations of Self-Insurers;
- pay capitalized interest on the Series 2013A Bonds; and
- pay certain Costs of Issuance.

See “PART 4—PLAN OF FINANCE” and “PART 5—ESTIMATED SOURCES AND USES OF FUNDS.”

### **Authorization of Issuance**

The Enabling Act authorizes DASNY to issue its bonds at such times and in an aggregate principal amount not to exceed \$900 million (exclusive of certain refunding bonds and bonds issued to fund any reserve fund, cost of issuance or original issue premium) to cover the costs of unmet workers’ compensation obligations of Self-Insurers and provides that such bonds shall be payable from Employer Assessments, as described herein. The Series 2013A Bonds will be the first Series of Bonds issued pursuant to the Enabling Act and the Resolution.

The Financing Acts currently further authorize DASNY to issue approximately \$4.55 billion of its bonds for SDF purposes and provides that such bonds shall be payable from Employer Assessments, as described herein. On December 9, 2010, DASNY issued \$102,395,000 of the Series 2010 Bonds under the Series 2010 Resolution, of which approximately \$70.4 million are currently outstanding. Pursuant to the Financing Acts, effective January 1, 2014, the full amount required to pay debt service on and certain associated costs of the Series 2010 Bonds are payable from the first monies received on account of the Employer Assessments in each year while the Series 2010 Bonds remain Outstanding. See “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Employer Assessment.”

The Financing Acts further provide that, after such first monies are received and applied, the debt service on and associated costs of all other bonds that DASNY is currently authorized to issue for workers’ compensation purposes, including the Series 2013A Bonds, shall be payable from all remaining monies received on account of the Employer Assessments in each year while such bonds remain outstanding on a *pari passu* basis as a second priority to the payment of the Series 2010 Bonds prior to any other use. Any additional bonds that may be issued by DASNY for workers’ compensation purposes and which may be payable from Employer Assessments will be so payable on a basis of parity with, or will be subordinate to, the Series 2013A Bonds, and may only be issued upon compliance with certain requirements, which are described in “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds” (in the case of additional Bonds) and in “PART 3—

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Other Indebtedness” (in the case of additional bonds other than Bonds).

The Resolution permits DASNY to secure Parity Reimbursement Obligations to any provider of an Ancillary Bond Facility (a “Facility Provider”) by a lien and pledge on a parity with the Bonds and subject to the lien on and pledge of the Series 2010 Bonds. The Resolution also permits bonds to be issued under other trust documents, including bonds that may be payable from and secured by Employer Assessments, without limitation so long as such bonds are not entitled to a charge or lien on or right with respect to the Employer Assessments that is senior to or *pari passu* with the pledge and lien created by the Resolution or, if on a *pari passu* basis, subject to the same two times coverage test that would be applicable to Senior Bonds as described in “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds.”

## **DASNY**

DASNY is a public benefit corporation of the State and pursuant to the Enabling Act and the 2013 Financing Agreement has the statutory authority and responsibility for issuing the Series 2013A Bonds. See “PART 10—DASNY.”

## **PART 2—DESCRIPTION OF THE SERIES 2013A BONDS**

### **General Description**

The Series 2013A Bonds will be issued pursuant to the Enabling Act, the Resolution and the 2013A Supplemental Resolution. The Series 2013A Bonds will be dated the date of delivery, will bear interest from that date (payable June 1, 2014 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 2013A Bonds are subject to optional and mandatory redemption prior to maturity and to purchase in lieu of optional redemption as more fully described below.

The Series 2013A Bonds will be issued as fully-registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2013A Bonds will initially be registered in the name of Cede & Co., as nominee of DTC pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2013A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2013A Bonds, the Series 2013A Bonds will be exchangeable for other fully registered Series 2013A 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 2013A 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 15<sup>th</sup> day (whether or not a Business Day) next preceding the applicable interest payment date (the “Record Date”); provided, however, that interest on the Series 2013A Bonds 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 Series 2013A Bonds, 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 2013A 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 2013A 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.

### **Redemption Provisions**

#### *Optional Redemption*

The Series 2013A Bonds are subject to redemption prior to maturity, in whole or in part, on any Business Day, in such order of maturity as directed by DASNY, at the Make-Whole Redemption Price. The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2013A Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2013A Bonds to be redeemed, not including any portion of those payments of interest accrued and

unpaid as of the date on which the Series 2013A Bonds are to be redeemed, discounted to the date on which such Series 2013A Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus (a) in the case of Series 2013A Bonds maturing December 1, 2015 through December 1, 2017, inclusive, 0 basis points and (b) in the case of Series 2013A Bonds maturing December 1, 2018 through December 1, 2034, inclusive, 20 basis points, plus, in each case, accrued and unpaid interest on the Series 2013A Bonds to be redeemed on the redemption date. The Trustee may retain, at the expense of the Board, an independent accounting firm or financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee, DASNY and the Board may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and determination of, the Make-Whole Redemption Price, and neither the Trustee nor DASNY nor the Board will have any liability for their reliance.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2013A Bonds to be redeemed. However, if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

*Purchase in Lieu of Optional Redemption*

All Series 2013A Bonds that are subject to optional redemption are also subject, at the option of DASNY, to purchase in lieu of optional redemption at the time that such Series 2013A Bonds are subject to optional redemption and at a purchase price equal to the Redemption Price that would then be payable. DASNY reserves the right, in its sole discretion, to at any time purchase any Series 2013A Bonds for cancellation at any price that is acceptable to the seller, but is not obligated to make any such purchase or, if such purchases are made, to make any additional such purchase.

*Mandatory Redemption*

The Series 2013A Bonds maturing on December 1, 2034 are subject to mandatory sinking fund redemption, in part, on December 1 in the years shown below in the respective principal amounts set forth below, at a Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amounts of Series 2013A Bonds specified for each of the dates shown below:

<b>Term Bond</b>	
<b><u>Maturing December 1, 2034</u></b>	
<b><u>Year</u></b>	<b><u>Principal Amount</u></b>
2028	\$20,095,000
2029	21,050,000
2030	22,055,000
2031	23,105,000
2032	24,205,000
2033	25,360,000
2034 <sup>†</sup>	26,570,000

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<sup>†</sup> Stated maturity.

DASNY may from time to time direct the Trustee to purchase Series 2013A Bonds maturing on December 1, 2034, at or below par plus accrued interest to the date of such purchase, and apply any Series 2013A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required

principal payment or, if applicable, to the remaining Sinking Fund Installments on such Series 2013A Bonds on a pro rata basis, giving effect to minimum denominations. To the extent DASNY'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 2013A Bonds will be reduced for such year. See "—Selection of Bonds to be Redeemed; Notice of Redemption."

*Selection of Bonds to be Redeemed; Notice of Redemption*

In the case of a redemption of less than all of the Series 2013A Bonds other than through mandatory Sinking Fund Installments, DASNY will select the maturities of such Series 2013A Bonds to be redeemed.

If the Series 2013A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2013A Bonds, if less than all of the Series 2013A Bonds of a maturity are called for redemption, the particular Series 2013A Bonds of such maturity or portions thereof to be redeemed will be selected on a pro rata pass-through distribution of principal basis in accordance with the DTC procedures.

It is the intention of DASNY that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither DASNY nor the Underwriters of the Series 2013A Bonds can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Series 2013A Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2013A Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the Series 2013A Bonds will be selected for redemption in accordance with the DTC procedures.

If the Series 2013A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2013A Bonds will be allocated among the registered owners of the Series 2013A Bonds of such maturity, as nearly as practicable, taking into consideration the authorized denominations of the Series 2013A Bonds, on a pro rata basis.

When Series 2013A Bonds are to be redeemed, the Trustee shall give notice, in the name of DASNY, of the redemption of such Series 2013A Bonds, which notice shall specify the Series 2013A Bonds to be redeemed, the maturity dates, interest rates, numbers and other distinguishing marks of the Series 2013A Bonds to be redeemed, the redemption date (including CUSIP numbers, provided that any error with respect thereto shall not affect the validity of the proceedings for redemption), the Redemption Price, the principal amount of each Series 2013A Bond to be redeemed and (except in the case of Book Entry Bonds) the place where amounts due upon such redemption will be payable, and, if DASNY's obligation to redeem the Series 2013A Bonds is subject to conditions, a statement that describes the condition to such redemption. Any notice of redemption of Series 2013A Bonds may state that the redemption is conditioned upon receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of the Series 2013A Bonds to be redeemed, and that if such moneys are not received such notice shall be of no force or effect and such Series 2013A Bonds shall not be required to be redeemed.

The Trustee shall: (i) if any of the Series 2013A Bonds to be redeemed are Book Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book Entry Bonds not less than thirty five (35) days prior to the redemption date; and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service, to Standard & Poor's Called Bond Record and to such other persons as directed in writing by an Authorized Officer of DASNY, in each case at the most recent address therefor. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Series 2013A Bonds.

Notice having been given by mail in the manner described above, the Series 2013A Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys for the redemption of all Series 2013A Bonds or portions thereof of any like maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date, and if notice of redemption shall have been mailed as described above, then, from and after the redemption date, interest on the Series 2013A Bonds or portion thereof so called for redemption shall cease to accrue and such

Series 2013A Bonds shall no longer be considered to be Outstanding under the Resolution. If such moneys shall not be so available on the redemption date, such Series 2013A Bonds or portion thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

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

DTC, New York, NY, will act as securities depository for the Series 2013A Bonds. The Series 2013A 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 2013A Bond certificate will be issued for each maturity of the Series 2013A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+.

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

Purchases of the Series 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013A 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 2013A Bonds, except in the event that use of the book entry system for the Series 2013A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2013A 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 2013A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013A 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 2013A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013A 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 2013A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on 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 the Series 2013A Bonds held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, 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 DASNY 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 services as depository with respect to the Series 2013A Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2013A Bond certificates are required to be printed and delivered as described in the Resolution.

DASNY, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2013A Bonds if DASNY determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2013A 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 DASNY, Series 2013A Bond certificates will be printed and delivered to DTC as described in the Resolution.

**NEITHER DASNY 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 2013A BONDS.**

So long as Cede & Co. is the registered owner of the Series 2013A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2013A Bonds (other than under the captions "PART 13—TAX MATTERS" and "PART 20—CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2013A 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 2013A 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.

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

### 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 Financing Acts, the Resolutions and the 2013 Financing Agreement for a more complete description of such provisions. Copies of the Resolutions and the 2013 Financing Agreement are on file with DASNY 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 2013 FINANCING AGREEMENT” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”*

#### General

The Series 2013A Bonds, and all additional Bonds subsequently issued under the Resolution, are special revenue obligations of DASNY that are secured pursuant to the Financing Acts, the Resolutions and an applicable financing agreement by a pledge of:

- (i) the Revenues, which include (A) the Employer Assessments in the aggregate amount of Annual Debt Service Payment (as defined herein), (B) payments by any Facility Provider (as defined herein), including a Qualified Swap Provider, and (C) all earnings on the investment of amounts held in the funds and accounts established by the Resolution except the Arbitrage Rebate Fund;
- (ii) DASNY’s right to receive Pledged Employer Assessments first out of all Employer Assessments received each year by the Chair as provided in the 2013 Financing Agreement (other than DASNY’s right to receive and otherwise apply Employer Assessments to the extent required to fully satisfy the funding requirements pursuant to 2010 Financing Agreement with respect to the Series 2010 Bonds); and
- (iii) any funds and accounts established under the Resolution, other than the Arbitrage Rebate Fund.

The “Annual Debt Service Payment” generally includes the following items:

- (a) “Debt Service” generally including, with respect to each calendar year, the following amounts payable by DASNY from the Pledged Employer Assessments to be levied in that calendar year on account of the Bonds and related 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;
  - (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 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 obligations issued under the Resolution in anticipation of Bonds (“Notes”), any required or scheduled amortization payment of the principal amount thereof and interest payable on such Notes.
- (b) “Associated Costs” generally includes:
  - (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 DASNY for (A) a portion of the general administrative and overhead expenses

of DASNY allocated in accordance with a formula established by DASNY for the services performed by DASNY 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 DASNY in carrying out its duties under the Resolution or any Financing Agreement, or in enforcing any Financing Agreement; *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 DASNY under a qualified interest rate exchange agreement as a result of a downgrade of a rating or other such termination event adverse to DASNY that arose in a calendar year prior to the year in which such payment is due (a “Qualified Termination Payment”); and
- (vii) any amount (a “Coverage Factor”) that may be required to be included pursuant to any Financing Agreement in respect of Debt Service upon a Series of Bonds issued pursuant to such Financing Agreement for a calendar year (other than to fund any Debt Service Reserve Requirement or other Associated Costs) that exceeds the amount of Debt Service payable on such Series in such calendar year.

See “APPENDIX A—CERTAIN DEFINITIONS.”

The Resolution permits DASNY to secure Parity Reimbursement Obligations to any Facility Provider on a parity with the Bonds. DASNY reserves the right to issue bonds payable from and secured by a charge or lien on or right with respect to the Employer Assessments pursuant to trust documents other than the Resolution, so long as such bonds are not entitled to a charge or lien on or right with respect to the Employer Assessments that is senior to or *pari passu* with the pledge and lien created by the Resolution or, if on a *pari passu* basis, subject to the same two times coverage test that would be applicable to Senior Bonds as described under “Additional Bonds” below. The aggregate original principal amount of Bonds which may be issued pursuant to the Resolution and of other bonds and notes that are payable from Employer Assessments (other than other bonds that are so payable on a basis that is subordinate in priority of application to the Bonds) is limited to \$5.45 billion. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—AUTHORIZATION AND ISSUANCE OF BONDS — Provisions for Issuance of Bonds” and “—PARTICULAR COVENANTS—Creation of Liens.”

Any additional bonds that may be issued by DASNY for workers’ compensation purposes and which may be payable from Employer Assessments will be so payable on a basis of parity with, or will be subordinate to, the Series 2013A Bonds. The Series 2013A Bonds and any such additional bonds that are currently authorized under the Financing Acts shall be paid from the Pledged Employer Assessments as a second priority to the payment of the Series 2010 Bonds. DASNY currently expects that its revenue bond funding for all future currently authorized workers’ compensation purposes will be implemented exclusively through Bonds issued under the Resolution.

***DASNY 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 2013A Bonds. The State and DASNY 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 Employer Assessments.***

#### **Employer Assessment**

On November 1 of each year, the Chair shall establish the Assessment Rate. Such Assessment Rate shall be effective for the succeeding calendar year and will be applied to a base as defined by the Chair. The Assessment

Rate for calendar year 2014, which is the initial year in which the current Employer Assessment is applicable, has been set at 13.8% of annual premium or premium equivalent. See “PART 7—SETTING THE EMPLOYER ASSESSMENT—General” and “—Assessment Rate.”

Pursuant to the Financing Acts, the 2010 Financing Agreement and the 2013 Financing Agreement, on or before September 1 of each year, DASNY is required to certify to the Chair and the Commissioner the 2010 Portion of Employer Assessments and the 2013 Portion of Employer Assessments required to be levied and collected for the following calendar year. Pursuant to the Financing Acts, the 2010 Portion of Employer Assessment shall be applied, on a first priority basis, to fully satisfy the annual funding requirements of the 2010 Financing Agreement with respect to the Series 2010 Bonds, so long as the Series 2010 Bonds are Outstanding. The 2010 Portion of Employer Assessments shall be applied as the monies received first from Employer Assessments in each year by the Board.

The Financing Acts further provide that the monies next received from Employer Assessments shall be applied as Pledged Employer Assessments for the payment of the Annual Debt Service Payment, which consists of Debt Service on all Bonds issued under the Resolution, including the Series 2013A Bonds, and Associated Costs of such Bonds (subject to a reservation by DASNY of the right to retain certain amounts) on a *pari passu* basis with other currently authorized but unissued DASNY bonds that are payable from Employer Assessments.

#### *Assessment Rate Covenant*

The 2013 Financing Agreement contains an Assessment Rate Covenant whereby the Chair covenants to levy and collect the Employer Assessments for each calendar year in an amount at least equal to the greater of:

- (a) the sum of:
  - (i) the 2010 Portion of Employer Assessments required for such calendar year pursuant to the 2010 Financing Agreement with respect to the Series 2010 Bonds;
  - (ii) the 2013 Portion of Employer Assessments for such calendar year as calculated in accordance with the 2013 Financing Agreement with respect to all Series of Bonds to which the 2013 Financing Agreement is applicable; and
  - (iii) the amount of Employer Assessments required for such calendar year pursuant to any other financing agreement with respect to any other series of revenue bonds to which the 2013 Financing Agreement is not applicable; or
- (b) an amount that is 2.0 times the amount described in clause (a) with respect to the Series 2010 Bonds, the Series 2013A Bonds and any additional bonds that may be payable from the Employer Assessments on a *pari passu* basis with the Bonds after reducing any amount described in clause (a) by any otherwise applicable coverage factor included in connection with the Series 2010 Bonds.

#### *Assessment Receipts Account*

The Commissioner is required to establish and maintain an Assessment Receipts Account pursuant to the 2010 Financing Agreement and the 2013 Financing Agreement (the “Assessment Receipts Account”). In accordance with the Financing Acts and the Resolution, and pursuant to the 2013 Financing Agreement, the Chair is required to deposit, as received, into the Assessment Receipts Account established under the 2010 Financing Agreement and the 2013 Financing Agreement and held by the Commissioner, all amounts received by the Chair on behalf of the Payers arising from the imposition of the Employer Assessment.

The Chair is required to review the payments received from each Payer promptly upon receipt thereof to ensure that such Payer has paid the correct amount of Employer Assessments. If the amount of Employer Assessments paid by the date such payment is due is less than the amount due, or an Employer Assessment is not paid by the date such payment is due, the Chair is required to take action to collect such Employer Assessment as described in “PART 7—SETTING THE EMPLOYER ASSESSMENT—Employer Assessment Enforcement.” The Chair shall keep a record of deficiencies in the payment of the Employer Assessments in each year and shall take such deficiencies into account in setting the Employer Assessments in subsequent years.

The 2013 Financing Agreement provides that, so long as the Series 2010 Bonds are Outstanding, the Commissioner shall immediately, once deposits to the Assessment Receipts Account in any calendar year equal the

2010 Portion of Employer Assessment that is at any time required pursuant to the 2010 Financing Agreement, transfer such 2010 Portion of Employer Assessment to the Series 2010 Trustee in accordance with the 2010 Financing Agreement. Under the 2013 Financing Agreement, the Commissioner is not permitted to allow any amount of the 2010 Portion of Employer Assessment on deposit in the Assessment Receipts Account to be diverted, appropriated, applied or credited for any purpose other than for such transfer until the total amount of the 2010 Portion of Employer Assessment then required to be so transferred pursuant to the 2010 Financing Agreement has been so transferred in accordance with the 2013 Financing Agreement. This transfer and deposit of the 2010 Portion of Employer Assessment shall have first priority under the Enabling Act and the 2013 Financing Agreement.

The 2013 Financing Agreement further provides that, immediately after: (i) all transfers of the 2010 Portion of Employer Assessment have been completed; and (ii) the total additional amount of Employer Assessments equivalent to the Annual Debt Service Payment pursuant to the 2013 Financing Agreement has been deposited in the Assessment Receipts Account, the Commissioner shall immediately transfer such Employer Assessments to the Trustee in accordance with the 2013 Financing Agreement and advise the Trustee and DASNY in writing of such transfer; provided, however, that 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, and if all transfers of the 2010 Portion of Employer Assessment shall have been completed, the Commissioner shall transfer the amount on deposit in the Assessment Receipts Account to the Trustee and, in such event, the Commissioner shall transfer the balance of the Annual Debt Service Payment to the Trustee as soon as practicable thereafter, upon deposit of sufficient additional Employer Assessments; and further provided, however, that each transfer to the Trustee required in this paragraph shall be made on a *pari passu* basis with any application of the Employer Assessment required under any other financing agreement with respect to bonds that are payable from the Employer Assessment, other than the Series 2010 Bonds and other than any such bonds as may hereafter be authorized to be issued and to be payable from Employer Assessments on a basis of priority that is subordinate to the transfers required by the 2013 Financing Agreement. Under the 2013 Financing Agreement, the Commissioner is not permitted to 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 Debt Service Fund (and, if applicable, payment of Associated Costs) (with the exception of the prior transfers of the 2010 Portion of Employer Assessment and *pari passu* transfers as described in this paragraph), until the total amount of such Annual Debt Service Payment due has been so transferred and deposited in accordance with the 2013 Financing Agreement. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE 2013 FINANCING AGREEMENT.”

The final maturity of the Series 2010 Bonds is December 1, 2020. The maximum annual debt service on the Series 2010 Bonds is \$19.4 million, which is the debt service required for the calendar year ending December 31, 2013. The debt service requirements for the December 31, 2014 and December 31, 2015 calendar years are \$13.0 million and \$17.7 million, respectively. For the calendar years ending December 31, 2016 to maturity, the annual debt service requirement is approximately \$10.5 million.

#### *Mid-Year Rate Adjustment Review*

The 2013A Supplemental Resolution provides that DASNY shall require the Board, on June 1 and September 1 of each year in which the Series 2013A Bonds are Outstanding, unless the full Annual Debt Service Payment for the Series 2013A Bonds for the then current calendar year has been transferred as described in the second preceding paragraph prior to such date, to determine if the then currently received and projected Employer Assessment receipts will be sufficient to fully fund such transfers in an aggregate amount sufficient to provide for timely payments of all Debt Service on the Series 2013A Bonds during such calendar year and, if necessary, to adjust such Employer Assessments to assure such sufficiency. See “PART 7—SETTING THE EMPLOYER ASSESSMENT—Assessment Rate Adjustments.”

#### **Flow of Funds**

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

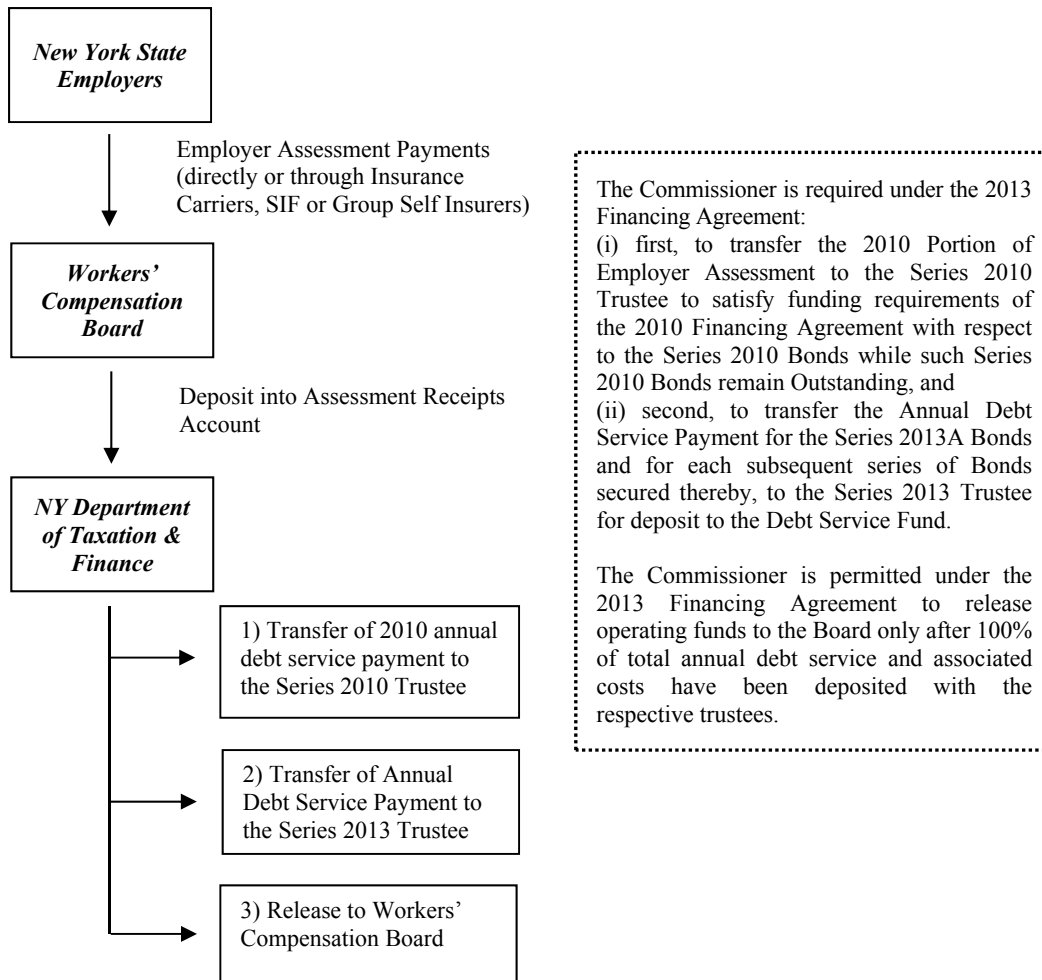
First: To the credit of the Debt Service Fund, the amount, if any, necessary along with any scheduled transfers from the Capitalized Interest Account for such purpose during such period to the extent

of funds then available in the Capitalized Interest Account for such purpose to make the amount on deposit in the Debt Service Fund equal to Debt Service with respect to all Senior Bonds for such period; and

Second: Upon direction of an Authorized Officer of DASNY, to each Facility Provider (excluding certain Associated Costs and amounts payable with respect to Parity Reimbursement Obligations pursuant to paragraph First above) for payments due in such period under any Ancillary Bond Facility relating to a Series of Senior Bonds provided by such Facility Provider, with such amount set forth in such direction constituting the “Annual Ancillary Bond Facility Payments.”

The Trustee shall notify DASNY promptly after making the payments enumerated above under “First” and “Second” of any balance remaining from such Revenues, and after making such payments, 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 DASNY, are required to be paid by the Trustee to DASNY in accordance with the 2013 Financing Agreement, free and clear of the lien and pledge of the Resolution or remain in the Debt Service Fund for application to Debt Service of Bonds (in which case it shall be credited towards the following year’s Debt Service of such Bonds) or to the mandatory principal amortization, optional redemption or purchase of Bonds. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

### Application of Employer Assessment Payments



## **Security for the Bonds**

### *General*

Payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds, including the Series 2013A Bonds, will be secured by the Pledged Employer Assessments. The security for the Series 2013A Bonds will be for the benefit of all other Bonds and Notes issued under the Resolution, which Bonds and Notes (except for Subordinate Bonds) will rank on a parity and be secured equally and ratably with each other and with the Series 2013A Bonds. The aggregate original principal amount of Bonds which may be issued pursuant to the Resolution and of other bonds and notes that are payable from Employer Assessments (other than other bonds that are so payable on a basis that is subordinate in priority of application to the Bonds) is limited to \$5.45 billion.

In addition, DASNY may incur obligations or indebtedness to any Facility Provider which are payable from Employer Assessments, including as Parity Reimbursement Obligations that are secured under the Resolution on a parity with the Holders of the Bonds of the related Series of Bonds or as Annual Ancillary Bond Facility Payments payable from the Debt Service Fund. In addition, DASNY may grant certain consent and other rights to a Facility Provider. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

### *Debt Service Reserve Fund*

The Resolution provides for the establishment of a Debt Service Reserve Fund, which is to be held by the Trustee and, if funded, is to be 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 initial Debt Service Reserve Fund Requirement applicable upon issuance of the Series 2013A Bonds is \$0.

## **Ability to Grant Rights to Facility Providers**

The Resolution permits DASNY to secure Parity Reimbursement Obligations by a lien on and pledge of Pledged Employer Assessments on a parity with the Bonds, second only to the lien on and pledge of Pledged Employer Assessments in connection with the Series 2010 Bonds. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS.”

## **Additional Bonds**

DASNY is authorized under the Resolution to issue additional Bonds to the extent permitted by the Financing Acts. All such Bonds (except for Subordinate Bonds) shall be secured equally and ratably with the Series 2013A Bonds by the revenues (including the Pledged Employer Assessments) and funds and accounts pledged under the Resolution. Such additional Bonds (other than Subordinate Bonds) may be issued only if DASNY delivers, among other things, (1) a Rating Confirmation with respect to all then Outstanding Senior Bonds, (2) a certificate of DASNY stating that, upon any deposit to be made in connection with such issuance, amounts on deposit in the Debt Service Reserve Fund shall be at least equal to any then applicable requirement, and (3) a certificate of DASNY stating that the amount of Employer Assessments received by the Board for the prior assessment year, as certified by the Chair, was no less than twice the maximum aggregate amount of scheduled principal, interest and other financing funding requirements projected to be required to be paid from Employer Assessments in any calendar year with respect to: (i) outstanding Series 2010 Bonds; (ii) all outstanding bonds (including Senior Bonds but not Subordinate Bonds) payable from Employer Assessments on a *pari passu* basis with the Bonds; and (iii) any proposed bonds (other than Subordinate Bonds) that are expected to be so payable on a *pari passu* basis, excluding, however, the scheduled principal of Notes and excluding any outstanding bonds expected to be paid or defeased from proceeds of proposed bonds expected to be issued or from cash or securities then held for such purpose. The Resolution also provides that the aggregate originally issued principal amount of Bonds, of Series 2010 Bonds and of bonds payable from Employer Assessments on such a *pari passu* basis shall not exceed \$5.45 billion. See APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—AUTHORIZATION AND ISSUANCE OF BONDS—Provisions for Issuance of Bonds” and “—PARTICULAR COVENANTS — Creation of Liens.”

## Other Indebtedness

DASNY reserves the right to issue bonds payable from and secured by a charge or lien on or right with respect to the Employer Assessments pursuant to trust documents other than the Resolution, so long as such bonds are not entitled to a charge or lien on or right with respect to the Employer Assessments that is senior to or *pari passu* with the pledge and lien created by the Resolution or, if on a *pari passu* basis, subject to the same two times coverage test that would be applicable to Senior Bonds. See “Additional Bonds” above and APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—AUTHORIZATION AND ISSUANCE OF BONDS—Additional Obligations.”

## Statutory Agreements

The Financing Acts authorize DASNY to include in the 2013A Supplemental Resolution, and DASNY has included in the 2013A Supplemental Resolution, for the benefit of Holders of Bonds authorized by the 2013A Supplemental Resolution, certain covenants and other provisions of the Financing Acts, including covenants with respect to the Employer Assessments, as described in “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—PARTICULAR COVENANTS—Statutory Agreements.”

The inclusion in the 2013A Supplemental Resolution of certain of such covenants is expressly subject to and conditioned upon the stipulation that any exercise by the State of its reserved powers to authorize the issuance by DASNY of additional debt that is payable from and secured by a pledge of Employer Assessments on a *pari passu* basis as to priority of application with revenue bonds that DASNY currently is statutorily authorized to issue pursuant to the Financing Acts, for purposes other than as currently authorized by the Financing Acts shall not be deemed to be precluded by such covenants; provided that the total principal amount of then outstanding debt and of additional debt that DASNY is authorized to issue that may be so payable and secured from Employer Assessments on such a *pari passu* basis is not thereby increased and that adequate provision is made to empower the Board to levy and collect sufficient Employer Assessments in each year to fund the then current payment and reserve requirements of all DASNY debt payable therefrom.

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

See “PART 17—INVESTMENT CONSIDERATIONS—Legislation” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—PARTICULAR COVENANTS—Statutory Agreements.”

## PART 4—PLAN OF FINANCE

Proceeds of the Series 2013A Bonds are expected to be used to: (a) acquire ALPs for claims associated with the unmet obligations of Self-Insurers; (b) pay capitalized interest on the Series 2013A Bonds; and (c) pay Costs of Issuance of the Series 2013A Bonds. 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 2013A Bonds are as follows:

<b>Sources of Funds</b>	
Principal Amount .....	<u>\$369,700,000</u>
Total Sources .....	<u>\$369,700,000</u>
<b>Uses of Funds</b>	
Deposit to Finance Fund .....	\$350,000,000
Costs of Issuance * .....	3,823,859
Capitalized Interest .....	13,321,388
Underwriters' Discount .....	<u>2,554,753</u>
Total Uses .....	<u>\$369,700,000</u>

\* Includes New York State Bond Issuance Charge.



## PART 6—OVERVIEW OF WORKERS' COMPENSATION IN NEW YORK STATE

### Workers' Compensation Generally

The State established a compulsory no-fault workers' compensation system in 1914 which is currently governed by the Workers' Compensation Law. The State's workers' compensation system is designed to pay for the medical treatment and provide wage replacement benefits, also known as indemnity benefits, to workers with work related injuries and disease. Virtually all private and public employers in the State are required to provide workers' compensation coverage to their employees, with certain limited exceptions such as uniformed police and fire personnel. Employers may satisfy this requirement by obtaining workers' compensation liability policies or through self-insurance. Employers may obtain insurance coverage from an Insurance Carrier or from the SIF. An employer who chooses to self-insure may do so individually or as part of a group in accordance with the Board's requirements. Such Self-Insurers include Individual Self-Insurers and Group Self-Insurers.

### Workers' Compensation Board

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 10 district offices across the State located in Albany, Binghamton, Brooklyn, Buffalo, Hauppauge (LI), Manhattan, Peekskill, Queens, Rochester and Syracuse, and the Board operates service centers throughout the State to provide convenient access for customers and stakeholders.

#### *Board Management*

The Board is composed of 13 commissioners, appointed by the Governor and confirmed by the State Senate for terms of seven years. The Board employs approximately 1,300 people statewide.

The current commissioners of the Board are as follows:

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Date Appointed</u></b>	<b><u>Current Term Expires</u></b>
Robert E. Beloten	Chair	May 12, 2009	December 31, 2015
Richard A. Bell	Commissioner	June 22, 2006	December 31, 2012*
David Dudley	Commissioner	June 7, 2011	December 31, 2016
Candace K. Finnegan	Commissioner	June 1, 2005	December 31, 2010*
Alfreida Foster	Commissioner	May 12, 2009	December 31, 2014
Mark D. Higgins	Commissioner	June 23, 2008	December 31, 2014
Linda Hull	Commissioner	July 13, 2013	December 31, 2013
Frances M. Libous	Commissioner	October 22, 2007	December 31, 2017
Loren Lobban	Commissioner	May 10, 2010	December 31, 2013
Conrad W. Lower	Commissioner	September 10, 2009	December 31, 2015
Kenneth J. Munnely	Commissioner	July 12, 2013	December 31, 2018
Ellen O. Paprocki	Commissioner	June 21, 2012	December 31, 2018
Samuel G. Williams	Commissioner	May 17, 2010	December 31, 2016

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\* By law, Commissioners continue to serve until a successor is appointed and confirmed.

Robert E. Beloten, Chair – Prior to his appointment as Chair of the Workers' Compensation Board Mr. Beloten was a Law Judge at the NYS Workers' Compensation Board from 1988-1996 and 2000-2009. From 1996-2000, he was a Senior Law Associate at the law firm of Keating and Klein of Syosset, New York a firm specializing in health care law.

Frances M. Libous, R.N., B.S., Vice Chair – Mrs. Libous is Vice Chair of the NYS Workers' Compensation Board. She brings a health care background to the Board; she has held a Registered Nurse's license since 1983. As a Public Health Nurse at the Broome County Health Department she helped seniors, children, and people with AIDS, people with disabilities and many others to avoid institutional placements by providing direct clinical care to them at home.

Richard A. Bell, Board Member – Prior to his appointment as a Board Member, Mr. Bell was Executive Director of the NYS Workers' Compensation Board, acting as the principal assistant to the Chair.

David Dudley, Board Member – An attorney with more than four decades of legal experience, Mr. Dudley served as Counsel to the Senate majority, Assistant Counsel to the Assembly minority, Assistant Rensselaer County Attorney, and Assistant Attorney General, as well as East Greenbush Town Attorney.

Candace K. Finnegan, Board Member – Ms. Finnegan brings experience in Human Resources management to the NYS Workers' Compensation Board. She began New York State service in 1977 and has served as Personnel Administrator and Deputy Director of Labor Relations for the Department of Labor, Higher Education Services Corp., and OMH's Rockland Children's Psychiatric Center where she conducted special investigations, mediated employee grievances and served as the State's advocate in employee disciplinary arbitrations.

Alfreida Foster, Board Member – Ms. Foster brings over 15 years of varied professional experience in the areas of education, public relations and government/civic service to the NYS Workers' Compensation Board. Serving as a Trustee for the City University of New York (CUNY), she helps to oversee the management of CUNY campuses city-wide and serves as Vice Chair for the Student Affairs Committee; and serving on the Harlem Community Development Corporation's Board of Directors, she assists in the guidance of the organization to make development decisions for the growth of the Harlem Community.

Mark D. Higgins, Board Member – Mr. Higgins came to the NYS Workers' Compensation Board after serving over 30 years as a staff representative with the Civil Service Employees Association, Inc. where he negotiated collective bargaining agreements and represented workers in all workplace issues including workers' compensation.

Linda Hull, Board Member – Ms. Hull is a specialist in workers' compensation with 30 years' experience. In 1994 Linda Hull founded Upstate WorkComp Inc., where she consulted on behalf of self-insured and insured employers, occupational health groups, vocational specialists and insurance agents. Earlier in her career, she worked as an outside field adjuster, hearing representative and a claims supervisor for insurance carriers.

Loren Lobban, Board Member – Mr. Lobban has many years of experience as a practicing attorney, representing individuals, business and government. Prior to joining the Board, Mr. Lobban maintained a private law practice where he specialized in litigation. He was the principle of his own firm and also counsel to the Erie County Legislature. He also volunteered his time representing clients for the Erie County Bar Association Volunteer Lawyers Project.

Conrad W. Lower, Board Member – Mr. Lower has practiced labor and employment law for over 25 years. As Senior Counsel with the New York State United Teachers (NYSUT) he represented public employees and their local unions before administrative agencies such as the Public Employment Relations Board and the State Education Department, and in New York's state and federal courts. As a Labor Relations Specialist for NYSUT he was responsible for negotiating and enforcing collective bargaining agreements, and advising local union officers and members on workers' compensation and other employment issues.

Kenneth J. Munnelly, Board Member – Mr. Munnelly served as General Counsel of the NYS Workers' Compensation Board from 2008 to 2013, responsible for the day-to-day legal operations of the Board and a staff of approximately 150 attorneys including all Law Judges, the Administrative Review Division and the Legal Affairs Division, which reviews full board applications, as well as the Litigation Unit.

Ellen O. Paprocki, Board Member – Ms. Paprocki prior to joining the Board served as Assistant Director of the New York State Fair in Syracuse where she provided management and program/policy development for the annual State Fair and more than two hundred events throughout the year. She spent many years in Washington, DC working with the U.S. Department of Labor as a Field Office Coordinator, Labor-Management Liaison, and investigative trainer as well as serving as a Congressional Liaison for the Agency for International Development.

Samuel G. Williams, Board Member – Mr. Williams started his union career as a sheet metal apprentice. He served as a journeyman for Sheet Metal Workers Local 71 until 1976 when he was hired at the former Harrison Radiator division of General Motors Corporation and became a member of the UAW Local 686.

#### *Board Senior Staff*

The senior staff of the Board includes the following individuals:

<b><u>Name</u></b>	<b><u>Title</u></b>
Jeffrey Fenster	Executive Director
Elizabeth Lott	Deputy Executive Director for Operations
David Wertheim	Acting General Counsel
Ulyss Thompson	Deputy Executive Director for Administration
Mary Beth Woods	Director of Financial Administration

Jeffrey Fenster, Executive Director – Jeffrey R. Fenster has held the position of Executive Director of the New York Workers' Compensation Board for the past several years. Prior to joining the Workers' Compensation Board in January 2009, Mr. Fenster served as a litigation associate with the New York Law firm of Stroock & Stroock & Lavan, LLP. While at Stroock & Stroock & Lavan, Mr. Fenster represented Institutional clients in complex commercial litigations, arbitrations, federal and state government investigations.

Elizabeth Lott, Deputy Executive Director (also known as Deputy Director of Operations) – Prior to being appointed to her current title, Ms. Lott was the Supervising Compensation Claims Referee (Law Judge) of the Office of Adjudication for the NYS Workers' Compensation Board.

David Wertheim, Acting General Counsel – Mr. Wertheim has served the NYS Workers' Compensation Board as Deputy General Counsel and previously as Supervising Compensation Claims Referee (Law Judge) in the Office of Adjudication.

Ulyss Thompson, Deputy Director for Administration – Mr. Thompson has served as the Board's Deputy Director for the past several years. Prior to the Board Mr. Thompson held various high level positions for the County of Albany.

Mary Beth Woods, Director of Financial Administration – Ms. Woods has held the position of Director of Financial Administration for the past several years. Prior to assuming this role, she was the Director of Self Insurance for the Workers' Compensation Board.

#### **Enforcement Powers of the Board**

The Board has statutory authority to ensure that employers obtain and maintain the required workers' compensation insurance. In order to ensure coverage compliance, the Board uses various enforcement mechanisms, including:

- a database to identify employers and their insurance coverage, investigators, educational outreach, an automated penalty process, an appeal process, outside collection agencies, and the issuance of judgments;
- requiring businesses to provide proof of workers' compensation compliance prior to receiving permits, licenses or contracts from a municipality or State agency;
- stop work orders may be issued when an employer has no coverage or fails to pay workers' compensation penalties; and

- penalties for employers that fail to keep proper or sufficient records regarding compensation and classification of workers and civil penalties and/or criminal fines may be issued if an employer intentionally understates or conceals payroll, misclassifies employee duties, or hides any other information to falsely reduce the amount of premium that should be paid. For additional information, see “PART 7—SETTING THE EMPLOYER ASSESSMENT—Employer Assessment Enforcement.”

### **Board Administrative and Special Fund Costs**

Historically, the Board levied and collected several separate Prior Assessments that supported its cash flow needs as well as the programs and special funds it administers. These Prior Assessments fall into two general categories: (1) administrative assessments which support the day-to-day operations of the Board and interdepartmental programs at the New York State Department of Health and the New York State Department of Labor; and (2) special fund assessments which support programs administered by the Board, such as the SDF and the Fund for Reopened Cases, among others, that make payments directly to claimants and medical providers or reimburse Insurance Carriers, the SIF or Self-Insurers for payments that they have made on behalf of claimants in special categories.

### **Workers’ Compensation Reform Legislation**

There were several legislative actions taken in 2007, 2010 and 2013 to amend the Board’s funding and special fund framework.

#### *2007 Reform Act*

The 2007 Reform Act made changes to the State workers’ compensation system and amended the Workers’ Compensation Law and the Dormitory Authority Act. Among other things, the 2007 Reform Act closed the SDF to new cases and authorized DASNY to issue its revenue bonds, including the Series 2010 Bonds, to fund SDF claims payments and related costs.

In addition, the legislation shifted assessment billing for Insurance Carriers to more closely align the amounts collected by the Insurance Carriers to those actually billed by the Board. Despite the 2007 legislation, there remained discrepancies between the amounts that Insurance Carriers collected from their policy holders and the amounts that the Board billed those Insurance Carriers.

#### *2010 Legislation*

The 2010 legislation strengthened the Board's authority to collect against the former members of defaulted group self-insurers, including clarifying the Board’s ability to enforce judgments and commence collection actions. In addition, this legislation amended the State’s insurance law to allow individual or group self-insurers to purchase assumption of liability policies and transfer their long term workers' compensation obligations to an authorized workers' compensation carrier. This change allowed the Board to facilitate arrangements under which terminated self-insurers could efficiently transfer their obligations. See “Assumption of Liability Policies” below.

#### *2013 Business Relief Act*

In April, 2013, the State legislature enacted reforms known as “the 2013 Business Relief Act” as part of the 2013-14 Enacted Budget. Among other things, the 2013 Business Relief Act provides for:

- the combination of the preexisting Prior Assessments, which were based on a variety of assessment allocation methodologies, into the single Employer Assessment. Effective January 1, 2014, payment of the Employer Assessment will be the direct payment obligation of each Payer, with Insurance Carriers, the SIF and Group Self-Insurers initially having certain collection obligations for their policyholders’ payments, as described herein, while Individual Self-Insurers will remit payment of the Employer Assessment directly. The Employer Assessment will be a consistent charge among all of the Payer categories and will be based upon premium (or premium equivalent);
- broad authority for the Board in determining the actual assessment amounts and assessment methodologies among employers (with the exception that the SDF component calculation methodology will remain unchanged);

- a transitional period that provides the Board with the option to continue the current collection procedures (i.e., the Employer Assessment will be actually collected and remitted to the Board by Insurance Carriers, the SIF and Group Self-Insurers) and permits at the Board's discretion the implementation of new procedures to collect the Employer Assessment directly from employers. Individual Self-Insurers shall continue to pay the Employer Assessment directly;
- the closure of the 25-a Fund to new cases effective January 1, 2014. Under the 2013 Business Relief Act, charges to keep the amount of assets of the 25-a Fund at the minimum statutory level may be levied on all employers as part of the Employer Assessment, and that the amount of such Employer Assessment will be determined by the Chair of the Board;
- the Board to access data collected from NYCIRB for purposes of administering assessments and managing the workers' compensation system;
- the Chair to conduct periodic audits on employers, Self-Insurers, Insurance Carriers, and the SIF concerning any information of payment related to the Employer Assessment; and
- DASNY to issue revenue bonds secured by the Employer Assessment for workers' compensation purposes including to cover the costs of prior unmet obligations of Self-Insurers.

### **Assumption of Liability Policies**

Part R of Chapter 56 of the Laws of 2010 allows Self-Insurers to transfer future and contingent claim liabilities by executing an ALP. The intent of ALPs is to allow a Self-Insurer to satisfy its long term liabilities associated with both claims and assessments by transferring that liability to a licensed Insurance Carrier protected by the Workers' Compensation Guaranty Fund. In accordance with the legislation, the policy must be issued for a single complete premium paid in advance and in an amount deemed acceptable by the Chair and the Superintendent of the Department of Financial Services of the State (the "Superintendent"). The policy must be issued on the standard prescribed assumption of liability form which has the following requirements: (i) "risk" transfer without recourse, (ii) policy must be non-cancelable; (iii) unlimited statutory coverage and (iv) the acceptance of the assignment of workers' compensation employer liability excess loss insurance agreements.

As of the end of 2012, the Board has effectuated ALPs on behalf of four insolvent Group Self-Insured Trusts (each, a "GSIT") thereby transferring all claims liabilities to the private sector. In addition, ALPs have been executed by two inactive GSITs that were administering their own liabilities as well as by an Individual Self-Insurer. The proceeds of the Series 2013A Bonds are expected to be used to purchase ALPs.

Although the Series 2013A Bond proceeds will allow for the purchase of ALPs and the cost-effective resolution of unmet self-insured obligations for the Board, such purchase of ALPs will not relieve employers of liability for those obligations. Collections from the employers will continue to be aggressively pursued even after an ALP for their group has been executed, and any amounts recovered from such employers will be used to offset costs and expenses incurred by the Board.

### **Board Administrative Expense Assessments**

Pursuant to Section 151 of the Workers' Compensation Law, the Board includes, in its assessments, administrative costs of implementing the Workers' Compensation Law including workers compensation, disability benefits, the volunteer ambulance workers' benefit law and the volunteer firefighters' benefit law. These costs include personal service, the cost of maintenance, and operation, the cost of retirement contributions made and workers' compensation premiums paid by the State for or on account of personnel, and rentals for space occupied in State owned or State leased buildings, among other items. In addition, the Board assesses for programs administered by the New York State Department of Health ("DOH") and the New York State Department of Labor ("DOL"). These interdepartmental costs ("IDPs") are authorized by the Workers' Compensation Law and appropriated in the budgets of DOH and DOL. The DOH administers the training and educational program on occupational safety and health and the State occupational health clinics network and the DOL oversees the occupational safety and health program.

Annually, the Chair submits an estimated budget for expenditures for the succeeding fiscal year to the New York State Division of Budget for approval and inclusion in the State's Executive Budget. The Board's costs are not funded from the State's General Fund, and the Board's operations and those of DOH and DOL will be funded from a portion of the Employer Assessment. For calendar year 2014 the projected need for this portion of the

Employer Assessment is \$276 million including \$59 million for IDP's and \$17 million for the Special Funds Conservation Committee ("SFCC").

### **Other Assessment Components**

#### *Board Special Funds Assessments*

The Special Disability Fund. The SDF is a special workers' compensation fund over which the Board has oversight, and prior to the 2013 Business Relief Act, it was funded through the imposition of one of the Prior Assessments on Insurance Carriers, the SIF and Self Insurers. The SDF provides reimbursement to carriers or employers for claims where an employee with a permanent physical impairment incurs a subsequent disability. The SDF also reimburses the carrier or employer where the injured employee is concurrently engaged in more than one employment at the time of injury.

Prior to the 2007 Reform Act, the Prior Assessments charged to fund the SDF were required to equal 150% of the total disbursements made from the SDF during the preceding calendar year, less the amount of the net assets on deposit in the SDF as of December 31 of the preceding calendar year. The 2007 Reform Act added a component to the methodology for computing these Prior Assessments to provide that they are required to be an amount equal to 150% of the total disbursements made from the SDF during the preceding calendar year (not including any disbursements made on account of anticipated liabilities or claims settlements funded by bond proceeds and related earnings), less the amount of the net assets in the SDF as of December 31 of the preceding calendar year, plus the amount projected to be sufficient to cover the annual debt service payment to be paid during the calendar year by DASNY on the Series 2010 Bonds. The 2007 Reform Act provides that the amount projected to be sufficient to cover annual debt service may include a coverage factor.

The 2007 Reform Act included the closing of the SDF to new cases and authorized DASNY to issue up to \$4.55 billion in bonds, including the Series 2010 Bonds. To date, \$102 million in bonding authority has been issued. Claims payments on existing SDF cases continue to be made with settlements of these cases on an individual basis.

The 2013 Business Relief Act amended the Workers' Compensation Law to authorize that the Employer Assessment contain the liabilities of the Special Disability Fund and portions of the Employer Assessment be used to cover debt service on the Series 2010 Bonds and associated costs (which may include a coverage factor) to be paid during the calendar year by DASNY. For calendar year 2014 the projected need for this portion of the Employer Assessment is \$617 million.

*SDF Debt Service.* DASNY is continuing to pay debt service on the Outstanding Series 2010 Bonds issued for the purpose of extinguishing the liabilities of the SDF. For 2014, debt service on the Series 2010 Bonds is \$13.019 million and that amount will be included in the Employer Assessment. The required annual Employer Assessment will continue to be adjusted to reflect the debt service and associated costs for the Series 2010 Bonds as well as any additional bonds that may be issued for the purpose of managing SDF liabilities.

Fund for Reopened Cases. The Fund for Reopened Cases (sometimes referred to herein as the "25-a Fund") provides payments directly to claimants and health providers when the claimant's case is reopened under certain circumstances. Supplemental benefits are also paid out of the 25-a Fund to reimburse for payments made to totally disabled individuals or the spouses of deceased individuals where the date of accident or death occurred on or before December 31, 1978; the 25-a Fund reimburses the supplemental portion of the payment. Finally, the 25-a Fund also reimburses payments to totally disabled volunteer firefighters and ambulance workers where the date of accident occurred on or before December 31, 1998.

The 2013 Business Relief Act closes the 25-a Fund to new cases effective January 1, 2014, and a portion of the Employer Assessment will be charged at the discretion of the Chair in an amount necessary to maintain the balance in the 25-a Fund at an appropriate level. In 2014, the Board expects to have an actuarial review on the 25-a Fund's claims performed to determine the value of the fully developed claims outstanding. In the interim, because of the significant fund balance in the 25-a Fund (\$1.1 billion) the Board has not included any costs for the 25-a Fund's claims liabilities in the 2014 Employer Assessment.

Special Fund for Disability Benefits. The Special Fund for Disability Benefits is authorized under Section 214 of the Workers' Compensation Law and pays benefits to those disabled unemployed persons who become

ineligible for unemployment benefits. The Workers' Compensation Law requires additional assessments to be imposed if the fund drops below a balance of \$11 million. In recent years, Prior Assessments for this fund have been unnecessary as other revenue has been sufficient to maintain the required fund balance. The Board has not included any costs for this fund in the Employer Assessment for 2014.

Self-Insurance Program. In addition to the various administrative and special fund Prior Assessments that were made against the entire industry (Insurance Carriers, the SIF, and Self-Insurers), there is an assessment made against only the private Self-Insurers related to the administrative costs of running the self-insurance program and any unmet obligations of defaulted Individual or Group Self-Insurers (the "50-5 Assessment"). This 50-5 Assessment is a separate charge apart from the Employer Assessment and will not be pledged for debt service on either the Series 2010 Bonds or any Bonds.

Employer Assessment Bonds Debt Service. The Enabling Act includes authorization for the Chair, with the approval of the Director of the Budget, to request that DASNY issue up to \$900 million in Bonds to be used for: the settlement of outstanding group or individual self-insured obligations; the reduction in assessments imposed on Self-Insurers as a result of unfunded claims; and to provide the funding needed to purchase one or more ALPs to address those claims. The Series 2013A Bonds are the initial issuance of Bonds pursuant to this statutory authorization. For calendar year 2014, required debt service on Series 2013A Bonds will be paid from capitalized interest.

#### **Prior Assessment Rate Setting, Billing and Collections**

*All historical information relating to Prior Assessments and payment experience set forth herein is included for general reference purposes only, and is not intended to constitute a representation that future assessment and payment experience with respect to the Employer Assessment will be similar during any period to that shown. The 2013 Business Relief Act combined the separate assessments referred to herein as Prior Assessments with additional components required under financing agreements with respect to bonds such as the Series 2013A Bonds and made a number of other changes in the Board's assessment process. Such changes are generally effective for the new assessment year beginning January 1, 2014. See "PART 6 — OVERVIEW OF WORKERS' COMPENSATION IN NEW YORK STATE — Workers' Compensation Reform Legislation — 2013 Business Relief Act." As the separate Prior Assessments will no longer be collected, the historical information relating to separate Prior Assessment components does not constitute operating data which the Board will undertake to update for purposes of Rule 15c2-12. See "PART 20 — CONTINUING DISCLOSURE."*

Historically, the New York Compensation Insurance Rating Board ("NYCIRB") has been responsible for establishing the annual Prior Assessment rate that Insurance Carriers charge their policy holders. The Prior Assessment rate was intended to approximate the value of the Board invoices to Insurance Carriers. While the Insurance Carriers were required to adhere to the rate promulgated by NYCIRB, the Prior Assessment rate did not apply to SIF or the Self-Insurers. Although the various administrative and special fund Prior Assessments differed in purpose, the process of establishing individual billings in each was similar and the Prior Assessments were apportioned in a multi-phased process. Through calendar year 2013, the initial allocation for these Prior Assessments continued to be based on indemnity payments reported. Subsequent to the initial allocation, the Insurance Carriers' share was reallocated based on each Insurance Carrier's proportional share of reported premium. For the SIF and the Self-Insurers, the allocation was based on reported indemnity payments.

Each of the Prior Assessments for administrative expenses (workers' compensation, disability benefits, volunteer firefighters, volunteer ambulance workers and interdepartmental) was billed in advance of each quarter and then a "fifth-quarter" assessment adjustment was implemented after the end of the fiscal year based on actual expenses incurred. There was one annual Prior Assessment implemented for each of the special funds including the SDF, the Fund for Reopened Cases, and the Special Fund for Disability Benefits (when necessary).

During the past ten calendar years, the components of the Prior Assessments were as follows:

<b>Assessment Year</b>	<b>Board Administrative Expenses (millions)</b>	<b>Special Disability Fund (millions)</b>	<b>Fund for Reopened Cases (millions)</b>	<b>Annual Total (millions)</b>
2013	\$303	\$649	\$314	\$1,266
2012	252	618	250	1,120
2011	267	592	323	1,181
2010	238	607	267	1,111
2009	255	501	182	938
2008	241	452	100	793
2007	226	420	96	742
2006	221	596	178	996
2005	216	586	155	957
2004	198	483	195	876

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*Historical Collection Rates*

The Prior Assessments have a long history of timely payments and billable collection rates approaching 100%. The collection history of the Prior Assessments during the past ten calendar years is set forth in the table below:

Assessment Year	<i>Board Administrative Expenses</i>					<i>Special Disability Fund</i>					<i>Fund for Reopened Cases</i>				
	Total Assessment (\$mm)	Amount Received at Year End (\$mm)	% Rec. at Year End	Amount Received to Date <sup>1</sup> (\$mm)	% Received to Date <sup>1</sup>	Total Assessment (\$mm)	Amount Received in 60 days (\$mm)	% Rec. in 60 Days	Amount Received to Date <sup>1</sup> (\$mm)	% Received to Date <sup>1</sup>	Total Assessment (\$mm)	Amount Received in 60 days (\$mm)	% Rec. in 60 Days	Amount Received to Date <sup>1</sup> (\$mm)	% Received to Date <sup>1</sup>
2013 <sup>1</sup>	\$ 303	\$ 239	79% <sup>2</sup>	\$ 303	100%	\$ 649	\$ 592	91%	\$ 634	98%	\$ 314	\$ 188	60% <sup>2</sup>	\$ 309	98%
2012	252	216	86	252	100	618	542	88	612	99	250	226	91	240	96
2011	267	272	100	272	100	592	509	86	592	100	323	300	93	297	92
2010	238	240	100	240	100	607	571	94	604	100	267	246	92	264	99
2009	255	232	91	255	100	501	473	94	498	99	182	170	94	181	100
2008	241	226	94	241	100	452	436	96	450	100	100	95	95	99	99
2007	226	212	94	226	100	420	401	95	413	98	96	92	96	94	98
2006	221	206	93	221	100	596	561	94	591	99	178	169	95	177	99
2005	216	200	93	216	100	586	561	96	583	99	155	147	95	153	99
2004	198	194	98	198	100	483	459	95	480	99	195	185	95	195	100
Total	\$2,416	\$ 2,237	93%	\$ 2,424	100%	\$ 5,504	\$ 5,104	93%	\$ 5,457	99%	\$ 2,060	\$ 1,819	88%	\$ 2,009	97%

<sup>1</sup> As of October 31, 2013.

<sup>2</sup> Lower figures resulted from a discrepancy with a single large Prior Assessment Payer which has since been resolved and final payment is expected by 12/31/2013.

Prior to the enactment of the 2013 Business Relief Act, the Prior Assessments levied against Insurance Carriers were passed on to insured employers through a surcharge on their annual premiums, which surcharge was based on a percentage of premium that was subject to change every year. The Prior Assessments levied against the SIF and Self-Insurers were based on their proportional share of indemnity payments reported. As with Insurance Carriers, the SIF also passed these charges on to insured employers through a surcharge on their annual premiums.

## **PART 7—SETTING THE EMPLOYER ASSESSMENT**

### **General**

The Board is classified as a “Revenue Agency” within State government, and does not receive any funding through general tax revenue. Therefore, the Board itself must fully recover all the costs it incurs in the delivery of its services through its own revenue sources, which will be accomplished primarily through the levy and collection of the Employer Assessment under the 2013 Business Relief Act. Under the 2013 Business Relief Act, the Employer Assessment will combine the Prior Assessments into a single unified Employer Assessment, and will be calculated and allocated among Payers on the basis of workers’ compensation insurance premium rates.

Workers’ compensation coverage is mandatory for virtually all public and private employers in the State, and effective January 1, 2014, payment of the Employer Assessment will be the direct payment obligation of each Payer. However, because the 2013 Business Relief Act anticipates a transitional period, until such time as the Board establishes a direct payment process for Payers, all Prior Assessment Payers (each a “Collector”) will continue to be responsible for both the collection and remittance of the Employer Assessment on behalf of their policyholders or members through a surcharge to each Payer’s annual premium or premium equivalent.

As defined in Section 151 of the Workers’ Compensation Law, on or before November 1, 2013 and annually thereafter, the Chair shall establish the Assessment Rate. Such Assessment Rate shall be effective for the succeeding calendar year and will be applied to a base as defined by the Chair (the “Assessment Base”) as more fully described below.

On or before September 15 of each year, the Chair will notify DASNY and the Commissioner of the receipt and acceptance of the certifications of (i) the 2010 Portion of Employer Assessment while the Series 2010 Bonds remain Outstanding and (ii) the Annual Debt Service Payment required to be levied and collected as Pledged Employer Assessments filed pursuant to the 2013 Financing Agreement. To the extent the Chair requests reconciliation of the amounts in the certifications pursuant to the 2013 Financing Agreement, the Chair, the Commissioner and DASNY have agreed in the 2013 Financing Agreement to consult and resolve any difference, promptly and no later than October 1 of each year, whereupon DASNY shall revise its certification to the extent necessary to reflect such resolution and the Chair shall accept such revised certification. If the Chair, the Commissioner and DASNY are unable to resolve such differences, the amount originally certified by DASNY pursuant to this paragraph shall be deemed accepted by the Chair provided DASNY may amend the amount of such certification as a result of information gained during such reconciliation period and such amended amount shall be deemed accepted by the Chair.

On or before October 15 of each year, the Chair shall notify DASNY and the Commissioner of the date on which the Assessment Rate is to be established, which date shall not be later than November 1 of each year. On or before October 15 of each year, the Chair shall provide DASNY, the Commissioner, the Director of the Budget and the Trustee with a statement showing the total amount of the proposed Employer Assessment, together with the basis for calculation thereof and shall certify that the proposed Employer Assessment complies with the requirements of the 2013 Financing Agreement, the Financing Acts and the Chair’s notice of acceptance of DASNY’s annual certification.

On or before November 1 of each year, the Chair is required to establish the Assessment Rate to be effective for the succeeding calendar year. The Employer Assessment shall, at a minimum, be imposed for purposes identified in the Financing Acts, and the Chair shall include amounts that may be appropriate or necessary to account for any prior year deficiency in collection recorded pursuant to the 2013 Financing Agreement and any anticipated deficiency in collections.

The Assessment Rate will be made public by the Board on or before November 1 of every calendar year.

**Assessment Rate**

For calendar year 2014, the Assessment Rate has been established as a percentage of workers’ compensation premiums as follows:

- Total estimated annual expenses as listed below under the caption “Costs Covered by Assessment Rate”

Divided By

- Total estimated Statewide premiums (see “Assessment Base” and “Workers’ Compensation Insurance Premium Rates” below)

The estimated Statewide premiums used above for the purposes of establishing the Assessment Rate reflect, where appropriate, projected changes in overall premium levels that result from rate adjustments approved by the Department of Financial Services.

For the purposes of establishing the Assessment Rate for 2014, Statewide premium has been determined by combining premium amounts reported for Insurance Carriers and the SIF and the premium equivalent amounts determined for Self-Insurers (see “Assessment Base” and “Workers’ Compensation Insurance Premium Rates” below). Statewide premium has been determined to be approximately \$6.5 billion for 2014. The estimated annual expenses for 2014 to be covered by the Assessment Rate total \$893 million as shown in the chart below. Accordingly, the Assessment Rate for 2014 has been set at 13.8%.

The following chart contains the projected itemized annual expenses for calendar year 2014:

<b><u>Costs Covered by Assessment Rate</u></b>	
<b><u>Purpose</u></b>	<b><u>Projected Need</u></b> <sup>†</sup>
<b>Administration</b>	
Workers’ Compensation Board	\$200,000,000
Interdepartmental Programs	59,000,000
Special Funds Conservation Committee*	17,000,000
<i>Subtotal Administration</i>	\$276,000,000
<b>Special Funds</b>	
Special Disability Fund**	\$617,000,000
Fund for Reopened Cases	0
Special Fund for Disability Benefits	0
<i>Subtotal Special Funds</i>	\$617,000,000
<b>Debt Service</b>	
Employer Assessment Bonds Debt Service***	<u>0</u>
<i>Total</i>	\$893,000,000

\* Although these costs were paid by Insurance Carriers, the SIF and Self-Insurers, the annual expenses for SFCC were not billed or collected by the Board (SFCC billed and collected directly). Effective January 1, 2014, the Employer Assessment will include the SFCC.

\*\* Includes debt service on the Series 2010 Bonds in the amount of approximately \$13,000,000.

\*\*\* Debt service for 2014 will be paid from capitalized interest.

† All dollar amounts reflect rounding.

## **Assessment Base**

The Assessment Rate promulgated by November 1 of each year for the succeeding calendar year as described above shall be applied to the Assessment Base. For calendar year 2014, the Assessment Base shall consist of premium or premium equivalent, which shall be determined as follows:

### *Insurance Carriers and SIF*

For employers securing workers' compensation coverage via a policy issued either by an authorized Insurance Carrier or the SIF, premium shall mean the full annual value of premiums as prescribed by the Chair for each policy written or renewed during a specific reporting period.

### *Self-Insurers*

Premium equivalent for Self-Insurers shall mean the amount determined by applying payroll by classification codes to applicable loss cost rates. Loss cost rates for Self-Insurers shall be furnished by the Chair based, in all or in part at the discretion of the Chair, upon comparable rates applicable to Insurance Carrier policies. To the extent there are not corresponding class codes for one or more classifications of payroll, the Chair shall establish an equivalent rate.

## **Workers' Compensation Insurance Premium Rates**

The State's workers' compensation insurance premium rates serve as the Assessment Base as described above, and such premium rates are established on an annual basis through the process described below. Currently, more than 80% of employers obtain a policy from an Insurance Carrier or the SIF and policy premium information is available for these employers. A premium equivalent will be determined for the Self-Insurers thus providing a similar basis for all employers, regardless of what type of coverage they maintain.

### *NYCIRB*

NYCIRB is a nonprofit, unincorporated association of Insurance Carriers, including SIF, which collects the loss, premium and payroll data from each Insurance Carrier, summarizes this information and develops an adequate rate structure. NYCIRB has been designated by the New York State Department of Financial Services Insurance Division (the "Department of Financial Services") as its rate service organization for workers' compensation. In such capacity, NYCIRB collects data from Insurance Carriers regarding their workers compensation policies and claims made on such policies, and makes recommendations to the Department of Financial Services regarding changes in loss costs for determining workers' compensation insurance premium.

### *Department of Financial Services*

The Department of Financial Services is directly responsible for authorizing Insurance Carriers to write State workers' compensation insurance policies, and it is responsible for administering the underwriting rules for workers' compensation insurance in the State, including review of recommended revisions to workers' compensation rates for approval or disapproval each year. The Department of Financial Services has authorized NYCIRB to initially develop the revised workers' compensation insurance rates and to actually oversee the underwriting rules for workers' compensation insurance policies. The Department of Financial Services has regulatory oversight over all Insurance Carriers operating in the State.

### *Determination of Premium*

For Insurance Carriers and the SIF, premium will be defined as the full annual value of premiums as prescribed by the Chair. For the Insurance Carriers, this is similar to the base they are already reporting to the Board for the purposes of the Prior Assessments. For Self-Insurers, the premium equivalent will be determined by applying payroll by classification to applicable loss rates. Such rates will be based, in all or in part, upon comparable rates applicable to carrier policies. To the extent that there are not corresponding class codes for one or more classifications of payroll, the Board will establish a comparable rate.

**Projected Receipt of Employer Assessment**

Based upon the premium levels shown above and an assessment rate of 13.8%, the 2014 Employer Assessment will be approximately \$893 million and will be distributed among Payers as follows:

**Projected Remittance**

	<b>Employer Assessments (Premium x Rate) <u>Rate = 13.8%</u></b>	<b><u>% of Total</u></b>
Private Insurance Policyholders	\$433,320,000	48.5%
SIF Policyholders	293,250,000	32.9
Self Insurers	<u>166,360,000</u>	<u>18.6</u>
<b>Total</b>	<b><u>\$892,930,000</u></b>	<b><u>100.0%</u></b>

**Assessment Rate Adjustments**

The 2013A Supplemental Resolution provides that DASNY shall require the Board, on June 1 and September 1 of each year in which the Series 2013A Bonds are Outstanding, unless the full Annual Debt Service Payment for the Series 2013A Bonds for the then current calendar year has been transferred by the Commissioner to the Trustee as described above under the heading “Employer Assessment” in “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS” prior to such date, to determine if the then currently received and projected Employer Assessment receipts will be sufficient to fully fund such transfers in an aggregate amount sufficient to provide for timely payments of all Debt Service on the Series 2013A Bonds during such calendar year and, if necessary, to adjust such Employer Assessments to assure such sufficiency.

If the Assessment Rate promulgated for any given year results in the collection of surcharge amounts which exceed the amounts needed to meet expected expenses, the Assessment Rate for the next calendar year shall be adjusted accordingly. If it appears that the Assessment Rate established will not produce Employer Assessment revenue sufficient to meet expected expenses, the Board may make adjustments to the published rate effective before the beginning of the next calendar year.

Under current Board regulations, any such mid-year Assessment Rate adjustments must be published at least forty-five (45) days prior to becoming effective.

**Board Receipt of Employer Assessment**

The Employer Assessment will be due and payable on a quarterly basis by Self-Insurers, and annually by employers covered by private Insurance Carriers or by the SIF (upon policy renewal, and paid by employers to the private Insurance Carriers for remittance purposes). Such annual payments are to be remitted to the Board by the applicable policy provider on a quarterly basis.

On an annual basis, all Employer Assessment monies received shall first be deposited into an Assessment Receipts Account established for the purpose of receiving the Employer Assessment. Employer Assessment revenue will be applied in accordance with each applicable financing agreement prior to application for any other purpose, as described in this Official Statement. Once any and all amounts required by the applicable financing agreement have been met for the year, the Employer Assessment will then be released from the Assessment Receipts Account, at the discretion of the Chair, to the administrative and special fund expenses.

The Employer Assessment amounts remitted to the Board shall be due in accordance with the following schedule:

- Employer Assessment amounts related to the quarter ending March 31 are due to the Board on or before April 30.
- Employer Assessment amounts related to the quarter ending June 30 are due to the Board on or before July 31.

- Employer Assessment amounts related to the quarter ending September 30 are due to the Board on or before October 31.
- Employer Assessment amounts related to the quarter ending December 31 are due to the Board on or before January 31.

The Employer Assessment amounts remitted shall be accompanied by reports prescribed by the Chair. Such prescribed reports will require an attestation by an authorized representative of the Payer (Carrier, Self-Insurer or SIF) that all information is true, correct and complete. The information reported to the Board for the purposes of the Employer Assessment shall be consistent with other similar information required and reported to other entities including, but not limited to, State and federal governmental agencies.

### **Employer Assessment Enforcement**

New regulations promulgated under the 2013 Business Relief Act provide several mechanisms for the enforcement of the payment of the Employer Assessment and corresponding reports. These enforcement actions include, but are not limited to:

- (a) If an Insurance Carrier, Self-Insurer, or the SIF has underpaid the Employer Assessment as the result of inaccurate reporting it will be required to pay all overdue assessments in full and may be subject to interest charged at a rate of 9% annually;
- (b) Penalties can be imposed in the event that a Payer, Insurance Carrier or Self-Insurer knew or should have known that an employer misrepresented any data related to the Employer Assessment;
- (c) An Insurance Carrier or Payer that knowingly makes a material misrepresentation of information related to the Employer Assessment shall be guilty of a Class E Felony;
- (d) If an Insurance Carrier, Self-Insurer, or the SIF has failed to pay or has underpaid an Employer Assessment payment, the Board may withhold any and all payments to the Insurance Carrier, Self-Insurers or SIF including, but not limited to, special fund reimbursements, until such time as all Employer Assessment payments have been paid in full;
- (e) A Self-Insurer that fails to submit Employer Assessment payments as required may place their ability to self-insure in jeopardy; and
- (f) The Board will make any available referrals, including, but not limited to, the Department of Financial Services and the Office of the Attorney General if an Insurance Carrier has failed to pay or has underpaid any Employer Assessment.

### **Assessment Rate Report and Audit**

Under the 2013 Business Relief Act, the Board is required to prepare, on an annual basis in conjunction with the November 1 publication of the Assessment Rate, a report (the "Assessment Rate Report") which supports the Assessment Rate established for the succeeding calendar year. Such Assessment Rate Report will include a summary of the projections or estimates made in the development of the Assessment Rate, including the various expenses and underlying Assessment Base.

To help ensure compliance, the 2013 Business Relief Act authorizes the Chair to conduct periodic audits on Payers, Self-Insurers, Insurance Carriers and the SIF concerning any information or payment related to the Employer Assessment, including any information relevant to the payment or calculation of the Employer Assessment. The Payer, Self-Insurer, Insurance Carrier and the SIF are required to provide all necessary documents and information in relation to an audit in a manner prescribed by the Chair.

## PART 8—INFORMATION ON NEW YORK STATE EMPLOYERS

*The following information concerning in-State employers has been compiled by the Board from certain publicly available documents and certain publicly available analyses of in-State employers. Such information does not, nor is it intended to, provide a comprehensive description of in-State employers. Although neither DASNY nor the Board has any independent knowledge of any facts indicating that the following information is inaccurate in any material respect, neither DASNY nor the Board has independently verified this information and neither DASNY nor the Board warrants the accuracy or completeness of this information. Prospective investors in the Series 2013A Bonds should conduct their own independent investigations of in-State employers to determine if an investment in the Series 2013A Bonds is consistent with their investment objectives.*

The State's workforce is diverse with a wide array of industries, including (but not limited to) manufacturing, trade, transportation, and utilities, banking and financial services, information, professional and business services, private education and healthcare, leisure and hospitality services, and other services.

For calendar year 2012, the State's employment and wages are distributed among the following industries:

<u>Industry Title</u>	<u>Number of Employers</u>	<u>Average Employment</u>	<u>Total Wages</u>	<u>Average Wages</u>
Agriculture, Forestry, Fishing Hunting	2,460	23,170	\$ 699,078,521	\$ 30,172
Mining	368	4,667	297,864,335	63,824
Utilities	489	35,857	3,909,743,959	109,037
Construction	46,980	313,476	19,559,618,783	62,396
Manufacturing	17,604	457,016	27,882,266,085	61,009
Wholesale Trade	36,436	334,080	25,998,228,260	77,820
Retail Trade	74,689	910,134	27,964,395,888	30,726
Transportation and Warehousing	11,907	220,860	10,036,362,855	45,442
Information	10,886	258,374	25,939,042,470	100,393
Finance and Insurance	29,459	496,260	99,539,285,674	200,579
Real Estate and Rental and Leasing	33,659	178,626	10,631,615,109	59,519
Professional and Technical Services	65,794	596,387	57,367,054,242	96,191
Management of Companies and Enterprises	3,789	134,098	19,374,931,237	144,483
Administrative and Waste Services	30,076	436,389	19,099,189,653	43,766
Educational Services	8,146	312,952	15,648,388,328	50,003
Health Care and Social Assistance	54,362	1,315,452	60,711,678,860	46,153
Arts, Entertainment, and Recreation	11,415	146,863	6,870,512,794	46,782
Accommodation and Food Services	46,355	653,715	15,308,322,910	23,417
Other Services	68,080	335,574	11,698,523,011	34,861
Total, All Government	10,023	1,373,115	77,232,054,139	56,246
Unclassified	30,897	22,997	1,051,000,577	45,702

Source: New York State Department of Labor Quarterly Census of Employment and Wages.

The statistical information contained in the chart above was obtained by the Board from the New York State Department of Labor (the “Department of Labor”) website at the following address: <http://labor.ny.gov/stats/ins.asp> as of the date of this Official Statement. **Such statistical information relating to the Statewide employment sectors does not constitute operating data which the Board will undertake to update for purposes of Rule 15c2-12.** Moreover, neither DASNY nor the Board makes any certification, assurance or representation regarding whether the Department of Labor shall update such statistical information or as to the frequency of any such updates.

#### PART 9—DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table sets forth, for each year ending December 31, 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 Outstanding Series 2013A Bonds and other debt payable from Employer Assessments.

12-Month Period Ending December 31	Series 2013A Bond Principal Payments	Series 2013A Bond Interest Payments	Total Debt Service on the Series 2013A Bonds	Total Debt Service on Series 2010 Bonds	Total Debt Service on All Debt Payable from Employer Assessments
2014	\$ 0	\$13,321,388	\$13,321,388	\$13,018,598	\$26,339,986
2015	13,990,000	14,022,514	28,012,514	17,650,938	45,663,452
2016	14,060,000	13,953,544	28,013,544	10,510,000	38,523,544
2017	14,180,000	13,830,659	28,010,659	10,508,250	38,518,909
2018	14,390,000	13,610,869	28,000,869	10,511,000	38,511,869
2019	14,675,000	13,315,874	27,990,874	10,507,000	38,497,874
2020	15,050,000	12,934,911	27,984,911	10,510,500	38,495,411
2021	15,480,000	12,491,538	27,971,538	0	27,971,538
2022	16,150,000	11,981,937	28,131,937	0	28,131,937
2023	16,540,000	11,409,904	27,949,904	0	27,949,904
2024	17,145,000	10,790,977	27,935,977	0	27,935,977
2025	17,805,000	10,123,693	27,928,693	0	27,928,693
2026	18,515,000	9,404,015	27,919,015	0	27,919,015
2027	19,280,000	8,627,866	27,907,866	0	27,907,866
2028	20,095,000	7,800,369	27,895,369	0	27,895,369
2029	21,050,000	6,835,407	27,885,407	0	27,885,407
2030	22,055,000	5,824,586	27,879,586	0	27,879,586
2031	23,105,000	4,765,505	27,870,505	0	27,870,505
2032	24,205,000	3,656,003	27,861,003	0	27,861,003
2033	25,360,000	2,493,679	27,853,679	0	27,853,679
2034	26,570,000	1,275,891	27,845,891	0	27,845,891

#### PART 10—DASNY

##### Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers’ colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY’s scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.



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

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At September 30, 2013, DASNY had approximately \$45 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

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

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

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 field sites across the State.

## **Governance**

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

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

The current members of DASNY are as follows:

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

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2016.

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

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2016.

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

Jacques Jiha was appointed as a Member of DASNY by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/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 and previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the State Comptroller. 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 expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

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

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

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for “Arverne by the Sea,” where he is responsible for advancing and overseeing all facets of “Arverne by the Sea,” one of New York City’s largest mixed-use developments located in Queens, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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

Roman B. Hedges was appointed as a Member of DASNY 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. 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 previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. 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.

JOHN B. KING, JR., J.D., Ed.D., *Commissioner of Education of the State of New York*, Slingerlands; *ex-officio*.

John B. King, Jr. was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., *Commissioner of Health*, Albany; *ex-officio*.

Nirav R. Shah, M.D., M.P.H. was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems-based methods, a leading researcher in use of large scale clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

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

Robert L. 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. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of DASNY. Mr. Williams is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Williams spent the majority of his career in law including 15 years as a founding partner in Wood, Williams, Rafalsky & Harris, where he helped to develop a national bond counsel practice, then as a partner in Bryan Cave LLP, where he counseled corporate clients in a range of areas. Mr. Williams later left the practice of law to help to establish a boutique Wall Street investment banking company where he served as president for several years. Throughout his career, Mr. Williams has made significant efforts to support diversity and promote equal opportunity, including his past service as president of One Hundred Black Men, Inc. and chairman of the Eagle Academy Foundation. Mr. Williams is licensed to practice law in the State of New York and 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 DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor'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 DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor's degree from the State University of New York at Albany.

LINDA H. BUTTON is the Acting Chief Financial Officer and Treasurer of DASNY. Ms. Button oversees and directs the activities of the Office of Finance. She is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Ms. Button has served in various capacities at DASNY over a long career, most recently as Director, Financial Management in the Office of Finance. She holds a Bachelor of Business Administration degree in Accounting from Siena College.

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 20 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives. Ms. Wallace is responsible for strategic efforts in program development, including maximizing the utilization of Minority and Women-Owned Businesses, sustainability, training and marketing, as well as communications with DASNY's clients, vendors, the public and governmental officials. She has more than 20 years of senior leadership experience in diverse private-sector telecommunications businesses and civic organizations. Ms. Wallace holds a Bachelor's Degree in Business Management from Pepperdine University and recently obtained her Master's Degree in Public Administration from Columbia University.

### **Claims and Litigation**

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

### **Other Matters**

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

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

#### *Legislation*

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

#### *Environmental Quality Review*

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

#### *Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2013. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

## **PART 11—LEGALITY OF THE SERIES 2013A BONDS FOR INVESTMENT AND DEPOSIT**

The Enabling Act provides that the Series 2013A Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

The Enabling Act further provides that the Series 2013A Bonds are securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities, political subdivisions and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized. In addition, Section 105 of the State Finance Law provides that the Series 2013A Bonds

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

## **PART 12—NEGOTIABLE INSTRUMENTS**

The Series 2013A 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 2013A Bonds.

## **PART 13—TAX MATTERS**

In the opinion of Bond Counsel to DASNY, interest on the Series 2013A Bonds (i) is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Series 2013A Bonds by original purchasers of the Series 2013A Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Series 2013A Bonds will be held as “capital assets” under the Code, and it 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 2013A Bonds as a position in a “hedge” or “straddle” for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Series 2013A Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Series 2013A Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Series 2013A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2013A Bond that is for United States Federal income tax purposes (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.

### **U.S. Holders—Interest Income**

Interest on the Series 2013A Bonds is not excludable from gross income for United States Federal income tax purposes.

### **U.S. Holders—Disposition of Series 2013A Bonds**

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2013A Bond, a U.S. 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 U.S. Holder’s adjusted tax basis in the Series 2013A Bond. A U.S. Holder’s adjusted tax basis in a Series 2013A Bond generally will equal such U.S. Holder’s initial investment in the Series 2013A Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2013A Bond was held for more than one year.

### **U.S. Holders—Defeasance**

U.S. Holders of the Series 2013A Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2013A Bonds to be deemed to be no longer outstanding under the Resolution of the Series 2013A Bonds (a “defeasance”) (See “Appendix C—Summary of Certain Provisions of the Resolutions”), 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, for Federal income tax purposes, the character and timing of receipt of payments on the Series 2013A Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Series 2013A Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

### **U.S. Holders—Backup Withholding and Information Reporting**

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal and payments of interest on a Series 2013A Bond and the proceeds of the sale of a Series 2013A Bond before maturity within the United States. Backup withholding at a rate of 28% will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

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.

### **Circular 230 Disclosure**

The advice in "Part 13—TAX MATTERS" concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2013A Bonds, was written to support the marketing of the Series 2013A Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Series 2013A Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel 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, may adversely affect the tax-exempt status of interest on the Series 2013A Bonds under state law and could affect the market price or marketability of the Series 2013A Bonds.

Prospective purchasers of the Series 2013A Bonds should consult their own tax advisors regarding the foregoing matters.

For the proposed form of the opinion of Bond Counsel relating to the Series 2013A Bonds, see Appendix D hereto.

## **PART 14—STATE NOT LIABLE ON THE SERIES 2013A BONDS**

The Enabling Act provides that the Series 2013A 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 or a pledge of the faith and credit of the State or of the taxing power of the State, that the State shall not be liable to make any payments thereon, and that the Series 2013A Bonds shall not be payable out of any funds or assets other than the Pledged Employer Assessments and any other funds and assets pledged therefor. The Resolution specifically provides that the Series 2013A Bonds shall not be payable out of any funds or assets other than Pledged Employer Assessments. See "PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS."

## **PART 15—UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2013A Bonds from DASNY at an aggregate purchase price of \$367,145,247.21 (representing the principal amount of the Series 2013A Bonds less underwriters' discount of \$2,554,752.79) and to make a public offering of the Series 2013A 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 2013A Bonds if any are purchased.

The Series 2013A 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.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an Underwriter of the Series 2013A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2013A Bonds.

M.R. Beal & Company, one of the Underwriters of the Series 2013A Bonds, has entered into an agreement (the “M.R. Beal Distribution Agreement”) with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the M.R. Beal Distribution Agreement (as applicable for this transaction), M.R. Beal & Company will share a portion of its underlying compensation with respect to the transaction with TD Ameritrade, Inc.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (WFBNA). WFBNA, one of the Underwriters of the Series 2013A Bonds, has entered into an agreement (the “Wells Fargo Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (WFA), for the distribution of certain municipal securities offerings, including the Series 2013A Bonds. Pursuant to the Wells Fargo Distribution Agreement, WFBNA will share a portion of its underwriting compensation, as applicable, with respect to the Series 2013A Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (WFSLLC) and Wells Fargo Institutional Securities, LLC (WFIS), for the distribution of municipal securities offerings, including the Series 2013A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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 DASNY 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 DASNY and/or the Board.

## **PART 16—LITIGATION**

As of the time of the issuance of the Series 2010 Bonds, there were a number of pending actions commenced against the Board relative to the Board’s ability to levy and collect the Prior Assessments. These included an action commenced on June 29, 2010, by the Roman Catholic Diocese of Albany against the Board and certain other parties seeking various types of relief with respect to the Prior Assessments and multiple actions brought by various GSITs contending either that the Board lacked the authority to levy the Prior Assessments, the Prior Assessments were calculated improperly, and/or the provisions of the Workers’ Compensation Law providing for the Prior Assessments was unconstitutional. See *New Era Cap Co. Inc. v. State of New York Workers’ Compensation Board*, Albany County Index No. 2518-10; *Frank Nuara, et al. v. State of New York Workers’ Compensation Board*, Albany County Index No. 5076-08; *Philip Perna et al v. New York State Workers’ Compensation Board*, Albany County Index No. 4377-10. *William Held, Jr. et al v. State of New York Workers’*



Compensation Board, Albany County Index No. 08-2943 William Held, Jr. et al v. State of New York Workers' Compensation Board, Albany County Index. No. 3514-10. All of these proceedings have been dismissed, withdrawn or otherwise resolved without material limitation to the authority of the Board to levy assessments and administer the State workers' compensation system.

On July 29, 2013, Liberty Mutual Insurance Company and nineteen of its affiliated carriers commenced an action against the Board and the Department of Financial Services (the "Liberty Action") challenging that portion of the 2013 Business Relief Act which closed the Fund for Reopened Cases on various constitutional grounds. The Board and Department of Financial Services believe the allegations in the complaint to be without merit and are moving to dismiss the action. The Liberty action does not challenge the Board's authority to levy, or the calculation of, the Employer Assessment and, if successful, would be most likely to result in the Board adding additional amounts to the Employer Assessment to cover the costs of continued operation of the Fund For Reopened Cases. The Board does not expect the outcome of the action to affect otherwise the imposition, collection and/or payment of the Employer Assessment.

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

## **PART 17—INVESTMENT CONSIDERATIONS**

The following factors, together with all other information in this Official Statement, should be considered by potential investors prior to making an investment decision.

### **Non-payment of Employer Assessment by Payers**

Non-payment of the Employer Assessment by Payers and/or Collectors might adversely affect the adequacy of funds to pay Debt Service on the Bonds on a timely basis, or might affect one or more of the ratings assigned to the Bonds or the secondary market for Bonds. Although the Board cannot guarantee payment amounts, the Board believes that risk is mitigated by the diversity of the Payers located throughout the State. In addition, as detailed in "PART 7—SETTING THE EMPLOYER ASSESSMENT—Employer Assessment Enforcement" there are enforcement rights which include the statutory power of the Board to refer arrears and non-payments to the State Attorney General for prosecution. As the historical year-end collection rates of the Prior Assessments have approached 100%, the Board has not had to pursue the collection of these Prior Assessments.. See "PART 6—OVERVIEW OF WORKERS' COMPENSATION IN NEW YORK STATE—Prior Assessment Rate Setting, Billing and Collections—*Historical Collection Rates.*"

### **Legislative and Regulatory Matters**

The requirement for State employers to provide workers' compensation insurance and the means by which such insurance may be provided, including assessments that may be levied and collected in connection therewith, is statutory and regulatory in nature and therefore subject to statutory revisions by the State legislature and to regulatory revisions by the Board. As previously noted in this Official Statement, the State legislature has enacted various workers' compensation reforms in recent years, including the 2007 Relief Act and the 2013 Business Relief Act, which have made changes to the State workers' compensation system and have amended the Workers' Compensation Law and the Dormitory Authority Act. The State has reserved the right, by a change in law, to change or alter the method of establishing the Employer Assessment, to otherwise alter the character of the Pledged Employer Assessments or to substitute like or different revenues for Pledged Employer Assessments if and when adequate provision shall be made by law for the protection of Bondholders. The Board cannot predict whether future statutory revisions affecting the workers compensation system will be adopted by the State legislature, or what the effect, if any, such statutory revisions might have on the Employer Assessment while the Series 2013A Bonds are Outstanding. The Board currently is not aware of any statutory or initiative proposals which would adversely affect the Employer Assessment or the methodologies used in conjunction therewith.

Moreover, as noted in this Official Statement, the State has covenanted with the purchasers and subsequent Owners and transferees of the Bonds that it will not in any way impair the rights, exemptions or remedies of the Owners of the Bonds; and it 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 Employer Assessments constituting the Pledged Employer Assessments as may be necessary to produce sufficient revenues in connection with the issuance

of the Bonds, including Pledged Employer Assessment coverage requirements. See “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Statutory Agreements.”

The Board has adopted regulations and operating procedures to implement the Employer Assessment as currently authorized by the Workers’ Compensation Law and is required under the 2013 Financing Agreement to levy and collect Employer Assessments in at least the annual amounts described herein. From time to time, the regulations promulgated by the Board are subject to change, amendment or revision by the Board, which in turn could, among other things, affect the methodologies that are currently used in conjunction with the levy and collection of the Employer Assessment. The Board cannot make any representation, nor can it make any assurances, concerning the effect that any change in such regulations would have on such Employer Assessment methodologies.

### **Litigation**

As noted in “PART 16—LITIGATION” there has been in recent years various litigation seeking to restrain or enjoin the levy and/or collection of the Prior Assessments, including actions which have challenged the authority of the Board to levy certain assessments, including the Prior Assessments, on constitutional grounds. A successful challenge to or judicial restraint on the collection methodology of the Employer Assessment might materially affect the payment of the principal of, premium, if any, and interest on the Series 2013A Bonds and the timing thereof.

Although there is no pending litigation seeking to restrain or enjoin the assessment or collection of the Employer Assessment, or any litigation that questions the right of the Board to levy or collect the Employer Assessment, the Board cannot predict whether any such litigation or challenge to the Employer Assessment methodology will commence while the Series 2013A Bonds are Outstanding.

### **Additional Indebtedness**

DASNY may issue approximately \$5.35 billion of Bonds and of other revenue bonds that are on a *pari passu* basis with Bonds as to priority of payment from Employer Assessments. Moreover, the Resolution permits DASNY to secure Parity Reimbursement Obligations to any Facility Provider by a lien and pledge of the Pledged Employer Assessments on a parity with the Bonds, including the Series 2013A Bonds. There is no assurance that, despite compliance with the covenants in the 2013 Financing Agreement, the ability to make necessary payments to repay the Series 2013A Bonds would not be affected by the issuance of such additional indebtedness. See “PART 3—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.”

## **PART 18—LEGAL MATTERS**

Certain legal matters incidental to the authorization and issuance of the Series 2013A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to DASNY, whose approving opinion will be delivered with the Series 2013A Bonds. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Patton Boggs LLP, New York, New York and the Hardwick Law Firm L.L.C., New York, New York.

## **PART 19—RATINGS**

The Series 2013A Bonds have been assigned ratings of “Aaa,” “AAA” and “AAA” 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 2013A 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 will undertake in a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Holders of the Series 2013A Bonds to provide to DAC, on behalf of DASNY as DASNY’s disclosure dissemination agent, on or before 120 days after the end of each calendar year, commencing with the calendar year ending December 31, 2014, 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 Board of the type included in this Official Statement and further described below (the “Annual Information”).

If, and only if, and to the extent that it receives the Annual Information described above from the Board, DAC will undertake in the Continuing Disclosure Agreement, on behalf of and as agent for the Board and DASNY, 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 and DASNY will undertake in the Continuing Disclosure Agreement to provide to the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). In addition, the Trustee will undertake, for the benefit of the Holders of the Series 2013A Bonds, to provide such Notices to DAC, should the Trustee have actual knowledge of the occurrence of a Notice Event (as defined below). Upon receipt of Notices from DASNY, the Board or the Trustee, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2013A 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, DASNY 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, DASNY or the Trustee and shall not be deemed to be acting in any fiduciary capacity for DASNY, the Board, the Holders of the Series 2013A Bonds or any other party. DAC has no responsibility for the failure of the Board or DASNY 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, DASNY or the Trustee has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Board, DASNY and the Trustee with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as DASNY’s disclosure dissemination agent terminate, DASNY 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 the tables located in “PART 7—SETTING THE EMPLOYER ASSESSMENT” of this Official Statement relating to the “Costs Covered by Assessment Rate” and the “Projected Remittance,” with respect to the Employer Assessment and the amount of Employer Assessments collected during the calendar year with such modifications in content and presentation as may be appropriate to reflect the levy and collection of the Employer Assessment, 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.

The Notices include notices of any of the following events (the “Notice Events”) with respect to the Series 2013A Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013A Bonds or other material events affecting the tax status of the Series 2013A Bonds; (7) modifications to rights of holders of Series 2013A Bonds, if material; (8) Series 2013A Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2013A Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Board; (13) 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; and (14) appointment of a successor or additional trustee, or the change in name of a trustee, if material; and (15) failure to provide annual information as required. In addition, DAC will undertake, for the benefit of the Holders of the Series 2013A Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Board to provide the Annual Information and annual financial statements by the date required in the Board’s undertaking described above.

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, DASNY and/or the Trustee, and no person, including any Holder of the Series 2013A Bonds, may recover monetary damages thereunder under any circumstances. DASNY 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 2013A 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 2013A Bonds will be on file at the principal office of DASNY.

#### **PART 21—SOURCES OF INFORMATION AND CERTIFICATIONS**

Certain information concerning the Board included in this Official Statement has been furnished or reviewed and authorized for use by DASNY by such sources as described below. While DASNY believes that these sources are reliable, DASNY has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. DASNY is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2013A 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 workers' compensation system, the Prior Assessments, and the Employer Assessment.

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

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

DASNY will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2013A 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 DASNY has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the Board, the workers' compensation system, the Board, the Prior Assessments, and the Employer Assessment, but which information DASNY has no reason to believe is untrue or incomplete in any material respect).

References in this Official Statement to the Financing Acts (including the Enabling Act), the Resolutions, the 2013 Financing Agreement and the Continuing Disclosure Agreement do not purport to be complete. Refer to the Financing Acts, the Resolutions, the 2013 Financing Agreement and the Continuing Disclosure Agreement for full and complete details of their provisions. Copies of the Resolutions, the 2013 Financing Agreement and the Continuing Disclosure Agreement are on file with DASNY and the Trustee.

The agreements of DASNY with the registered owners of the Series 2013A Bonds are fully set forth in the Resolutions (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2013A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2013A 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.

*Financial Advisor*

Lamont Financial Services Corporation is serving as Financial Advisor to DASNY in connection with the issuance of the Series 2013A Bonds.



**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 Supplemental Resolution or any Certificate of Determination authorizing such Capital Appreciation Bond; 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 (x) 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 (y) the difference between the Accreted Values for such Valuation Dates.

“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, with respect to any Series of Bonds, in the Supplemental Resolution or any Certificate of Determination authorizing issuance of such Series.

“Annual Administrative Fee” means, collectively, the fee payable for: (i) 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 (ii) all other reasonable and necessary costs, expenses and charges incurred by the Authority in carrying out its duties under the Resolution or under any Financing Agreement, or in enforcing any 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 Supplemental Resolution or any Certificate of Determination authorizing such Deferred Income Bond; (ii) as of any date other than a Valuation Date, the sum of (x) the Appreciated Value on the preceding Valuation Date and (y) the product of (I) 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 (II) 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 total amount of assessments that are assessed and collected pursuant to section 151 of the Workers’ Compensation Law.

“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; any Rebate Amount in excess of the amount available therefor in the Arbitrage Rebate Fund; any Qualified Termination Payment; any Coverage Factor; Operating Expenses and all other costs of any nature incurred by the Authority in connection with any Financing Agreement or pursuant thereto not otherwise included in the Annual Administrative Fee; any annual operating costs of the Workers' Compensation Board as may be authorized by any Financing Agreement; the costs of any independent audits; and any other costs necessary or incidental to the implementation of Assessments by the Workers' Compensation Board or the issuance, administration and repayment 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 and to a Supplemental 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.

"Bondholder," "Holder" or "Owner" 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.

"Bond Year" means a period of twelve (12) consecutive months with respect to a Series of Bonds: (i) beginning on the date, if any, determined by the Supplemental Resolution or any Certificate of Determination authorizing the issuance of such Series in any calendar year and ending on the immediately prior date of the next succeeding calendar year; or (ii) if not so determined, beginning on the date of issuance and ending on the subsequent May 31 and beginning on each subsequent June 1 and ending on May 31 of the next 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 Finance Fund so designated, created and established pursuant to the Resolution.

“Certificate of Determination” means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series, Parity Reimbursement Obligations, Credit Facilities, Subordinate Obligations or other matters in accordance with the delegation of power to do so under the Resolution and under the Supplemental Resolution authorizing such Series, as such certificate may be amended, modified or supplemented.

“Chair” means the Chair of the Workers’ Compensation Board and, to the extent permitted by law, any individual designated or otherwise authorized to act in such capacity.

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

“Commissioner” means the Commissioner of the New York State Department of Taxation and Finance and, to the extent permitted by law, any individual designated or otherwise authorized to act in such capacity.

“Controlling Bonds” means: (i) at any time at which Senior Bonds remain Outstanding, except as provided in clause (iii) of this definition, Senior Bonds; (ii) at any time at which only Subordinate Bonds remain Outstanding, Subordinate Bonds; and (iii) with respect to any amendment or modification under the Resolution that only affects Subordinate Bonds, such Subordinate Bonds.

“Cost of Issuance” or “Costs of Issuance” means the items of expense incurred, directly or indirectly, payable or reimbursable by the Authority, the Chair or the Commissioner in connection with the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, commitment and initial fees or similar charges of a Facility Provider, underwriting fees and expenses, fees and expenses of attorneys, 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 Finance 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.

“Coverage Factor” means any amount that is required pursuant to any Financing Agreement to be included in the requirement for annual Assessments to be certified by the Authority in respect of Debt Service upon a Series of Bonds for a calendar year (other than to fund any Debt Service Reserve Requirement or other Associated Costs) that exceeds the aggregate amount of such Debt Service to be paid for such calendar year or, as the context requires, the aggregate amount of such requirements.

“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 Supplemental Resolution or any Certificate of Determination authorizing such Bonds, 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, with respect to each calendar year, the sum of the following amounts payable by the Authority from Pledged Assessments to be levied in that calendar year on account of each Series of Bonds and all related 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 Certificate of Determination; (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 Notes.

“Debt Service Fund” means the 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, at any time, the greatest such requirement, if any, then provided in any Supplemental Resolution or any Certificate of Determination authorizing a Series of Bonds.

“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 such term shall not include any interest in a unit investment trust or mutual fund or 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 as may be provided by the Supplemental Resolution or any Certificate of Determination.

“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 Supplemental Resolution or any Certificate of Determination authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

“Dormitory Authority Act” means Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law.

“Enabling Act” means, with respect to any Series of Bonds, such provisions of the Dormitory Authority Act as are specified in the Supplemental Resolution or any Certificate of Determination authorizing such Series of Bonds, subject to compliance with any covenant restricting the amendment thereof, 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) if such obligation is issued by an issuer not domiciled in the 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, collectively, each account established by the Resolution and each Finance Fund Account established by any Supplemental Resolution or Certificate of Determination authorizing a Series of Bonds within the fund so designated, created and established pursuant to the Resolution and held in accordance with the applicable Financing Agreement.

“Finance Fund Account” means each account in the Finance Fund so designated, created and established pursuant to a Supplemental Resolution.

“Finance Fund Purpose” or “Finance Fund Purposes” means, with respect to each Series of Bonds and the applicable Finance Fund Account, if any, established by the Supplemental Resolution or any Certificate of Determination authorizing such Series: (i) the payment of such costs arising under the Workers’ Compensation Law for which Bonds that are payable from Assessments may be issued, as are identified in such Supplemental Resolution, including through the payment of the costs of one or more ALPs; (ii) the payment of the principal or Redemption Price of and interest on Notes issued pursuant to such Supplemental Resolution; (iii) the payment of the principal or Redemption Price of and interest on Bonds issued pursuant to such Supplemental Resolution; (iv) the payment of the principal or Redemption Price of and interest on other bonds or notes of the Authority that are secured by Assessments; and (v) the payment of Financing Costs attributable to any such Bonds or Notes.

“Financing Acts” means, collectively: (i) Chapter 6 of the Laws of 2007, Chapter 57 of the Laws of 2013 and the provisions of the Public Authorities Law, the Workers’ Compensation Law and the Public Officers Law amended thereby; and (ii) any further amendment to the provisions of any of the Public Authorities Law, the Workers’ Compensation Law and the Public Officers Law that Authorizes or provides for the issuance or repayment of revenue bonds of the Authority that are payable from Assessments, in each case, subject to compliance with any covenant restricting the amendment thereof.

“Financing Agreement” means, with respect to any Series of Bonds, the “Financing Agreement” as defined in the applicable Supplemental Resolution authorizing issuance of such Series.

“Financing Costs” means, with respect to each Series of Bonds, any of the following for which provision is made in or determined by the Supplemental Resolution or any Certificate of Determination authorizing such Series that are to be paid from the proceeds of any Series of Bonds, including, without limitation: Costs of Issuance; capitalized interest; capitalized Operating Expenses of the Authority; deposits to any 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 any 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.

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Supplemental Resolution or any Certificate of Determination authorizing such Bond, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and thereafter as may be provided by such Supplemental Resolution or Certificate of Determination.

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

“Liquidity Facility” means, with respect to any 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 Bonds of such Series that are tendered for purchase in accordance with the terms of the Supplemental Resolution or any Certificate of Determination authorizing such Series, 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 required or scheduled amortization payment of the principal amount of the Note, pursuant to the Note and the Supplemental Resolution or any Certificate of Determination 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 the Supplemental Resolution or any Certificate of Determination authorizing such Notes, 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 relating to any Financing Agreement or Series of Bonds, including, without limitation, the costs of retention of auditors, preparation of accounting and other reports, maintenance of the ratings on the Bonds, compliance with federal tax requirements and continuing disclosure requirements, 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.

“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 Supplemental 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 provisions 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 of the Resolution or the Supplemental Resolution or any Certificate of Determination authorizing such Series.

“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, at any time and with respect to each Series of Bonds, that portion of the Assessments required to be assessed, collected and applied in accordance with the provisions of each Financing Agreement and the Enabling Act that are then applicable to such Series of Outstanding Bonds, which 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 any 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 any 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 (other than the Authority’s right to receive and otherwise apply such Assessments to the extent required to fully fund payment and reserve requirements pursuant to the special disability fund financing agreement dated as of October 28, 2009 among the Authority, the Chair and the Commissioner with respect to the Pledged Assessment Revenue Bonds, Series 2010A); and (iv) any funds and accounts pledged under the Resolution.

“Put 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 Supplemental Resolution or any Certificate of Determination authorizing such Series.

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

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (A) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (B) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating 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;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating 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;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating 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;

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

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

“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 debt obligation rating, other senior unsecured long term obligation rating, financial program rating, counterparty rating, or claims paying ability rating is 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, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligation rating, other senior unsecured long term obligation rating, financial program rating, counterparty rating, or claims paying ability rating is at least so favorable.

“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 prior to the Bond 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 that 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, other than a Rating Confirmation with respect to the issuance of Bonds, 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 any Series of Tax-Exempt Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

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

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

“Refunding Bonds” means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the provision of the Resolution described in APPENDIX C under the caption “AUTHORIZATION AND ISSUANCE OF BONDS — Refunding Bonds” and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

“Remarketing Agent” means the person appointed by or pursuant to the Supplemental Resolution or any Certificate of Determination authorizing a Series of Put Bonds to remarket such Put Bonds tendered or deemed to have been tendered for purchase in accordance with such Supplemental Resolution or the Certificate of Determination.

“Remarketing Agreement” means, with respect to Put 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 the Employer Assessment Revenue Bond Resolution, as from time to time amended or supplemented by one or more Supplemental Resolutions and Certificates of Determination in accordance with the terms and provisions of the Resolution.

“Revenues” means: (i) the Annual Debt Service Payment received or receivable by the Authority, which pursuant to the Resolution and any 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.

“Senior Bonds” means Bonds other than Subordinate Bonds.

“Serial Bonds” means any Bonds of any Series so designated in the Supplemental Resolution or any Certificate of Determination authorizing such Series.

“Series” means all of the Bonds authenticated and delivered on original issuance and pursuant hereto and to the Supplemental Resolution or any Certificate of Determination 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.

“Sinking Fund Installment” means, as of any date of calculation: (i) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required hereby or by the Supplemental Resolution or any Certificate of Determination authorizing such Series, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series, as such future date may be determined by such Supplemental Resolution or Certificate of Determination, which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment; and (ii) with respect to Notes, Note Amortization Payments.

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

“State” means the State of New York.

“Subordinate Bonds” means any Bond authorized by a Supplemental Resolution or Certificate of Determination and designated as constituting “Subordinated Indebtedness” therein, which shall be payable and secured in a manner permitted by Article V of the Resolution, and any lien on and pledge of any portion of the Pledged Property securing Subordinate Bonds and related Parity Reimbursement Obligations shall be junior and inferior to the lien on and pledge of the Pledged Property herein created for the payment of the Senior Bonds and related Parity Reimbursement Obligations.

“Supplemental Financing Agreement” means each agreement amending or supplementing a Financing Agreement executed and becoming effective in accordance with the terms and provisions of the Resolution and such Financing Agreement.

“Supplemental Resolution” means any resolution of the Authority: (i) authorizing the issuance of one or more Series of Bonds (and, if applicable, Notes that are to be paid from and secured by the proceeds of such Series of Bonds) that is adopted by the Authority pursuant to Article II of the Resolution; or (ii) amending or supplementing the Resolution or any Supplemental Resolution that is adopted by the Authority pursuant to Article IX of the Resolution, in each case, as such resolution may be amended, modified or supplemented, including without limitation as such resolution may be supplemented by means of a Certificate of Determination.

“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 Tax-Exempt Bonds for the purpose of demonstrating compliance with the provisions of Section 103(a) of the Code.

“Tax-Exempt Bonds” means any Series of Bonds the interest on which is intended by the Authority to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution or any Certificate of Determination authorizing such Series.

“Term Bonds” means any Bonds of any Series so designated in the Supplemental Resolution or any Certificate of Determination authorizing such Series 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 Bonds of any Series, the date or dates set forth in the Supplemental Resolution or any Certificate of Determination authorizing such Series on which specific Accreted Values are assigned to such Capital Appreciation Bond; and (ii) with respect to any Deferred Income Bonds of any Series, the date or dates prior to the Interest Commencement Date set forth in the Supplemental Resolution or any Certificate of Determination authorizing such Series 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 of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Supplemental Resolution or any Certificate of Determination authorizing such Series 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 Supplemental Resolution or Certificate of Determination;

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 such Supplemental Resolution or Certificate of Determination, and that such Supplemental Resolution or Certificate of Determination 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.

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

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.

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**SUMMARY OF CERTAIN PROVISIONS OF THE 2013 FINANCING AGREEMENT**

The following is a summary of certain provisions of the 2013 Financing Agreement. Such summary does not purport to be complete and reference is made to the 2013 Financing Agreement for full and complete statements of such and all provisions. Capitalized terms used, but not defined, in this Appendix B shall have the meanings ascribed to them in Appendix A, except that the term “Bonds” herein means Bonds that are issued pursuant to the Enabling Act (as defined below), and the terms defined in Appendix A with reference to Bonds and used herein are so used with reference to Bonds that are issued pursuant to the Enabling Act.

**Definitions**

“ALP” means an assumption of workers’ compensation liability policy to discharge liabilities incurred or to be incurred under subdivision 3-a of section 50 of the Workers’ Compensation Law consistent with paragraph 7(a) of such subdivision.

“Assesseees” means all self-insurers, the State Insurance Fund and all insurance carriers required to pay Assessments levied in accordance with Section 151 of the Workers’ Compensation Law.

“Assessment Receipts Account” means an account of the Commissioner established and maintained with the Bank pursuant to Section 151 of the Workers’ Compensation Law and in accordance with the provisions of the 2013 Financing Agreement described below under the caption “Assessments and Assessment Receipts Procedures — *Receipt of Assessments*” and with the analogous provisions of each other “financing agreement” described in such Section 151.

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

“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.

“Enabling Act” means section 1680-q of the Public Authorities Law.

“Finance Fund Purpose” or “Finance Fund Purposes” means: (a) with respect to Bonds (including the Employer Assessment Revenue Bonds, Series 2013A) issued pursuant to the Supplemental Resolution adopted by the Authority on October 9, 2013, (i) the costs of the purchase of ALPs to discharge liabilities incurred or to be incurred under Section 50 of the Workers’ Compensation Law, (ii) the payment of Financing Costs and (iii) as otherwise determined by a Supplemental Financing Agreement; and (b) with respect to any additional issuance of Bonds (i) the payment of current unmet compensation or benefits of individual and group self-insured employers or the costs of the purchase of ALPs to discharge liabilities incurred or to be incurred under Section 50 of the Workers’ Compensation Law, (ii) the payment of the principal or Redemption Price of and interest on Notes, (iii) the payment of the principal or Redemption Price of and interest on Bonds, and (iv) the payment of Financing Costs attributable to any such Bonds or Notes as determined by a Supplemental Financing Agreement.

“Financing Acts” means, collectively, Chapter 6 of the Laws of 2007, Chapter 57 of the Laws of 2013 and the provisions of the Workers’ Compensation Law, the Public Authorities Law and the Public Officers Law amended thereby.

“Pledged Assessments” means, at any time and with respect to each Series of Bonds, that portion of the Assessments required to be assessed, collected and applied in accordance with the provisions of the 2013 Financing Agreement and the Financing Acts that are then applicable to such Series of Bonds, which Assessments, including the right to receive same, are pledged for the Annual Debt Service Payment as provided in the Financing Acts and the Resolution.

“Prior Bond Financing Agreement” means, collectively, the financing agreement dated as of October 28, 2009, as amended and restated as of October 9, 2013, and the supplemental financing agreement no. 1, dated as of October 28, 2009, each among the Authority, the Chair and the Commissioner with respect to the Prior Bonds.

“Prior Bonds” means the Pledged Assessment Revenue Bonds, Series 2010A of the Authority.

“Self-Insurer Offset Fund” means the fund so identified, as of the date of initial execution of this Financing Agreement, in Section 50-a of the Workers’ Compensation Law, which was formerly known as the “group self-insurer default offset fund”.

“State Pledge” means, with respect to each Series of Bonds, each covenant of the State which, pursuant to the Financing Acts, is set forth in the Supplemental Resolution authorizing the issuance of such Series.

### **Pledged Assessments and Payment of the Annual Debt Service Payment**

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 Assessments in each year in accordance with the 2013 Financing Agreement and to make deposits to the Assessment Receipts Account in each year in an amount at least sufficient to pay the aggregate amount of: (i) the full amount required to be transferred to the trustee for the Prior Bonds pursuant to the Prior Bond Financing Agreement with respect to the Prior Bonds; and (ii) the Annual Debt Service Payment for such year and the Commissioner and the Chair agree, respectively, to deposit, and to cause the deposit with the Trustee in each year in accordance with the 2013 Financing Agreement the full amount of, the Pledged Assessments.

The parties to the 2013 Financing Agreement confirm that the Pledged Assessments are pledged by the Authority under the Resolution and are to be applied to the payment of the Annual Debt Service Payment as required by the Enabling Act and by Section 151 of the Workers’ Compensation Law as if such pledge was set forth explicitly in the 2013 Financing Agreement and such pledge is incorporated in the 2013 Financing Agreement. In particular, the Authority, the Chair and the Commissioner confirm that pursuant to the Enabling Act and to subdivision 8 of Section 151 of the Workers’ Compensation Law, the Pledged Assessments shall be deemed the first monies received from the Assessments levied and collected in each year, second only to the prior application thereof to satisfy the annual funding requirements of the Prior Bond Financing Agreement with respect to the Prior Bonds in accordance with such subdivision.

The Commissioner and the Chair agree that no monies shall be disbursed from the Assessment Receipts Account for any purpose other than: first, fully satisfying the annual funding requirements of the Prior Bond Financing Agreement with respect to the Prior Bonds; and second, 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 Debt Service 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 the Supplemental Resolution or any Certificate of Determination authorizing such Series, the Authority, the Chair and the Commissioner concur, in respect of obligations and responsibilities of each party under the 2013 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 Bond proceeds, reporting of earnings on the Bond proceeds, and rebates to the United States Treasury with respect to such earnings, and with applicable federal regulations thereunder. 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 September 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 pursuant to the 2013 Financing Agreement, in addition to the amount required by the Prior Bond Financing Agreement with respect to the Prior Bonds and to any other financing agreement described in Section 151 of the Workers' Compensation Law. 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;
- (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 any Coverage Factor (provided that such Associated Costs shall not include the calculation of the amount described below in clause (b) under the caption "*—Calculation of Assessments*"); and
- (G) less the amount, if any, of accrued interest in the Debt Service Fund or capitalized interest in the Capitalized Interest Account and less, as to the other foregoing items, amounts, if any, in the Debt Service Fund (including any Revenues that are earnings) not otherwise reserved for payment of past Associated Costs and, accordingly, available in the Debt Service Fund to pay any such item.

The Authority, in certifying the above amounts, shall estimate Debt Service payable on any Series of Variable Interest Rate Bonds or of Bonds that are subject to required principal amortization in advance of stated maturity on a basis that cannot be determined with certainty upon issuance and shall estimate any amounts due on any Ancillary Bond Facility or other Associated Costs with respect to any Series of Bonds for which the payments cannot be determined at the time of certification in accordance with the procedures set forth in the Supplemental Resolution or any Certificate of Determination authorizing such Series or, if not there prescribed, as otherwise agreed to by the parties in a Supplemental Financing Agreement. Without limitation to the generality of the foregoing, the Supplemental Resolution or any Certificate of Determination authorizing a Series of Bonds may provide for the application of all or a part of the Pledged Assessments resulting from the inclusion of a Coverage Factor in Associated Costs, or for all or a part of the amount described below in clause (b) under the caption "*—Calculation of Assessments*" to the extent that such Pledged Assessments exceed the amount previously committed to the principal amortization of another Series of Bonds or required for another application, to the principal amortization in advance of scheduled maturity thereof. Any such Pledged Assessments to be so applied shall be deposited in the Debt Service Fund (in which case, such portion of such amount described below shall, to the extent actually received, be deemed to constitute a portion of the Pledged Assessments with respect to such Series solely for purposes of determining the amount to be transferred to the Trustee as described below in the last paragraph under the caption "*—Receipt of Assessments*"). The certificate of the Authority shall include similar identification and detail of actual expenditures (including those reserved therefor in the Debt Service 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 or otherwise properly allocable to the implementation or administration of the 2013 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 Self-Insurer Offset Fund on account of programs or benefits of the Self-Insurer Offset Fund unrelated to a Finance Fund Purpose. 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 August 1 of each year. Subject to the provisions of the 2013 Financing Agreement described above under the caption “—*Certifications by the Authority*” with respect to any Coverage Factor, 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 may be otherwise provided in a Supplemental Financing Agreement.

### ***Calculation of Assessments***

The Authority, the Chair and the Commissioner agree and acknowledge 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 at least equal to the greater of:

(a) the sum of: (i) the amount of Assessments projected to be sufficient to fund the Annual Debt Service Payment for the next succeeding calendar year as calculated in accordance with the provisions of the 2013 Financing Agreement described above under the caption “—*Certifications by the Authority*” with respect to all Series of Bonds to which the 2013 Financing Agreement is applicable; and (ii) the amount of Assessments required pursuant to section 151 of the Workers’ Compensation Law for the next succeeding calendar year pursuant to any other financing agreement with respect to any series of revenue bonds to which the 2013 Financing Agreement is not applicable; or

(b) the amount equivalent to the product of (x) two hundred percent (200.00%) and (y) the aggregate amount described in clause (a) of this formula with respect to the Prior Bonds, each Series of Bonds and each other series of revenue bonds that is payable from Assessments on a *pari passu* basis as to priority of application pursuant to section 151(8) of the Workers’ Compensation Law, less any Coverage Factor included in any component thereof with respect to any such series of revenue bonds for purposes of clause (a) above;

provided, that such Assessments shall be calculated, levied and collected in accordance with the provisions of the 2013 Financing Agreement described above under the captions “—*Certifications by the Authority*” and “—*Associated Costs*” and section 151 of the Workers’ Compensation Law; and further provided, that if the full Annual Debt Service Payment for any year has not been transferred in accordance with the provisions of the 2013 Financing Agreement described below in the fourth paragraph under the caption “Assessments and Assessment Receipts Procedures—*Receipt of Assessments*” prior to June 1 of such year, and if then required by the Supplemental Resolution or any Certificate of Determination authorizing any Series of Bonds, Assessments shall be reviewed and, if necessary, Assessments for the remainder of such year shall be recalculated, relieved and collected in a manner sufficient to assure that Assessments received within such year will be sufficient to satisfy applicable requirements. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—PARTICULAR COVENANTS—Covenant as to Assessments.”

### **Assessments and Assessment Receipts Procedures**

#### ***Setting the Assessments***

On or before September 15 of each year, the Chair shall notify the Authority and the Commissioner of the receipt of the Authority’s certification filed as described above under “Determination Of Pledged Assessments—*Certifications by the Authority*” and shall either: (i) accept the Authority’s certificate of the Annual Debt Service Payment; or (ii) request reconciliation of the amounts set forth in such certification. If the Chair requests



reconciliation of the amounts in such certification, the Chair and the Authority shall consult and resolve any difference, promptly and no later than October 1 of each year, whereupon the Authority shall revise its certification to the extent necessary to reflect such resolution and the Chair shall accept such revised certification. If the Chair, the Commissioner and the Authority are unable to resolve such differences, the amount originally certified by the Authority as described in this paragraph shall be deemed accepted by the Chair provided the Authority may amend the amount of such certification as a result of information gained during such reconciliation period and such amended amount shall be deemed accepted by the Chair.

On or before October 15 of each year, the Chair shall notify the Authority and the Commissioner of the date on which the Assessment shall become effective, which date shall be not later than November 1 of each year. The Chair, not later than October 15 of each year, shall provide the Authority and the Commissioner with a statement showing the total amount of the proposed Assessments, together with the basis for calculation thereof and certifying that the proposed Assessments complies with the requirements of the 2013 Financing Agreement, the Enabling Act and the Chair's notice of acceptance of the Authority's annual certification.

On or before November 1 of each year, the Chair shall determine and shall publish in a manner accessible to Assesseees the Assessment rates. Assessments shall be imposed as provided in the Financing Acts, and 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.

### ***Collection and Enforcement of Assessments***

The Chair shall allocate Assessments, determine and publish Assessment rates and receive, deposit, transfer and if necessary cause the collection and enforcement of timely payment of the Pledged Assessments in accordance with the Financing Acts and the 2013 Financing Agreement. The Chair shall promulgate or shall cause the promulgation of administrative rules and regulations to permit such compliance.

### ***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 2013 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 2013 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 2013 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 Assessment Receipts Account. All payments received as Assessments by the Chair shall be deposited by the Commissioner into the Assessment Receipt Account and no withdrawals or disbursements shall be made except as described in the last paragraph 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 Assessments that is at any time required to be transferred to the trustee for the Prior Bonds pursuant to the Prior Bond Financing Agreement has been deposited in the Assessment Receipt Account, transfer such Assessments to such trustee in accordance with the Prior Bond Financing Agreement and advise the Trustee and the Authority in writing of such transfer. 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 such transfer until the total amount of Assessments then required to be so transferred pursuant to the Prior Bond Financing Agreement has been so transferred in accordance with this paragraph.

The Commissioner shall immediately, once both: (i) all transfers required by the immediately preceding paragraph have been completed; and (ii) the total additional amount of Assessments equivalent to the Annual Debt Service Payment certified and accepted pursuant to the 2013 Financing Agreement has been deposited in the Assessment Receipt Account, transfer such Pledged Assessments to the Trustee for deposit into the Debt Service Fund (and, if applicable, for application to pay Associated Costs) and advise the Trustee and the Authority in writing of such transfer; provided, however, that 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, and if all transfers required by the immediately preceding paragraph shall have been completed, the Commissioner shall transfer the amount on deposit in the Assessment Receipt Account to the Trustee for deposit into the Debt Service Fund (and, if applicable, for application to pay Associated Costs); and, in such event, that the Commissioner shall transfer the balance of the Annual Debt Service Payment to the Trustee for deposit into the Debt Service Fund (and, if applicable, for application to pay Associated Costs) as soon as practicable thereafter, upon deposit of sufficient additional Assessments; and further provided, however, that each transfer to the Trustee required by this paragraph shall be made on a *pari passu* basis with any application of Assessments required under any other financing agreement with respect to revenue bonds that are payable from Assessments, other than the Prior Bonds and any such revenue bonds as may be issued pursuant to a financing agreement that expressly provides that transfers of Assessments to fund payment on such revenue bonds shall be made on a basis subordinate to the transfers required by the 2013 Financing Agreement. 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 Debt Service Fund (and, if applicable, for application to pay Associated Costs), other than prior transfers as described in the immediately preceding paragraph and *pari passu* transfers as described in this paragraph, until the total amount of such Annual Debt Service Payment due hereunder has been so transferred and deposited or applied in accordance with this Subsection; provided, however, that upon written request for certification by the Commissioner, once the Authority then certifies to the Commissioner and the Chair in writing that all such transfers and deposits to the Debt Service Fund have been made, any remaining balance in such Assessment Receipts Account may be transferred as required by any financing agreement that expressly provides for transfers of Assessments on a basis subordinate to the transfers required by the 2013 Financing Agreement and, otherwise, shall be transferred as directed by the Chair.

## **Defaults And Remedies**

### ***Events of Default***

The occurrence of any of the following events shall constitute an “Event of Default” pursuant to the 2013 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 Financing Acts and the 2013 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 2013 Financing Agreement described above under the caption “Assessments and Assessment 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 2013 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 2013 Financing Agreement or under the Resolution.

### **Remedies**

Upon the occurrence of an Event of Default, each party to the 2013 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 2013 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 2013 Financing Agreement for as long as the Authority deems necessary or desirable to ensure compliance by the Chair with the 2013 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 Assessment 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 2013 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 2013 Financing Agreement, nor may they include any amendment, change, modification or alteration of the 2013 Financing Agreement that is prohibited by the provisions of the 2013 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 Financing Acts, the 2013 Financing Agreement is for the benefit of the holders of the Bonds and of the holders of the Prior Bonds. The parties to the 2013 Financing Agreement acknowledge that, as provided in the Resolution, the Authority has

pledged, assigned and transferred to the Trustee for the benefit of the Bondholders certain of its rights under the 2013 Financing Agreement.

### ***Enforcement in Equity***

The parties to the 2013 Financing Agreement: (a) acknowledge that an Event of Default under the 2013 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 2013 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 Financing Acts, the Resolution and in the 2013 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 Financing Acts, the Resolution, the Supplemental Resolution or any Certificate of Determination authorizing a Series of Bonds and the 2013 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 2013 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 2013 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 2013 Financing Agreement shall preclude the Authority, without amending the 2013 Financing Agreement, from further assigning to the Trustee any or all of those rights so reserved.

### **Reserved Right of Amendment**

The 2013 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 2013 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 2013 Financing Agreement as set forth in the following paragraph.

The parties, upon the request of any party, are authorized to amend the 2013 Financing Agreement to reflect changes in applicable law or for reasons other than as expressly identified in the preceding paragraph. 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—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS—PARTICULAR COVENANTS—Statutory Agreements." 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 2013 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 2013 Financing Agreement shall be liable personally on the Bonds or for any obligation under the 2013 Financing Agreement 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 2013 Financing Agreement described under this caption and entitled to the full protection thereof.

#### **Separate Responsibilities of State Officials and Indemnification**

By executing the 2013 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 Financing Acts**

Nothing in the 2013 Financing Agreement is intended to supplement, amend, supersede or be inconsistent with any provision of the Resolution or with any provision of the Financing Acts except as expressly permitted thereby. In case any provision of the 2013 Financing Agreement appears to be or is in conflict or inconsistent with the Resolution or the Financing Acts, except as expressly permitted thereby, the provisions of the Resolution, or the Financing Acts, as the case may be, shall in all respects control, and the provisions of the 2013 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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## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following is a summary of certain provisions of the Resolution and of the 2013A Supplemental Resolution. Such summary does not purport to be complete and reference is made to the Resolution and the 2013A Supplemental Resolution for full and complete statements of such and all provisions. References to sections are to sections of the Resolution, except as otherwise noted. Defined terms used in this Appendix C 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 Dormitory Authority Act. Under the Dormitory Authority Act, as applicable to each Series of Bonds the Authority has the power to finance any Finance Fund Purpose designated in the Supplemental Resolution or any Certificate of Determination authorizing such Series in accordance with the provisions of the Enabling Act. (*Section 1.02*)

#### **Resolution and Bonds Constitute a Contract**

With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of such Series that are authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution (including, with respect to each such Series, the Supplemental Resolution and any Certificate of Determination authorizing such Series) 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 as permitted thereby and, with respect to any Series of Subordinate Bonds, in the applicable Supplemental Resolution or in any applicable Certificate of Determination authorizing such Series. (*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 any 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 any Financing Agreement, any 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 with the Resolution) all Pledged Property and Revenues, and other payments and other security now or hereafter payable to or receivable by the Authority under such Financing Agreement, Ancillary Bond Facility or 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 such Financing Agreement, Ancillary Bond Facility or 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 any 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 any such 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 any Financing Agreement as described in this paragraph shall secure only the payment of the amounts payable under such 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**

The Resolution authorizes one or more Series of Bonds of the Authority for Finance Fund Purposes, which Bonds are to be designated as “Dormitory Authority of the State of New York Employer 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 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, including without limitation by the provisions of the Resolution described in the third paragraph under the caption “PARTICULAR COVENANTS—Creation of Liens” below 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 to the Resolution and to one or more Supplemental Resolutions and, if applicable, Certificates of Determination, 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 Supplemental Resolution 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 applicable Supplemental Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority;

(b) A copy of any applicable Financing Agreement, including any applicable Supplemental Financing Agreement, each certified by an Authorized Officer of the Authority;

(c) A copy of any Certificate of Determination 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) In the case of Senior Bonds, other than the initial Series of Bonds, a Rating Confirmation with respect to all then Outstanding Senior Bonds;

(f) In the case of Bonds, other than the initial Series of Bonds, a certificate of an Authorized Officer of the Authority stating the amounts, if any, 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 such Debt Service Reserve Fund Requirement;

(g) In the case of Senior Bonds, other than the initial Series of Bonds, a certificate of the Chair stating the amount of Assessments (or, prior to February 1, 2015, the amount of all assessments described in subdivision 1 of section 151 of the Workers' Compensation Law) received by the Workers' Compensation Board and attributable to the prior assessment year;

(h) In the case of Senior Bonds, other than the initial Series of Bonds, a certificate of an Authorized Officer of the Authority stating that the amount of assessments certified by the Chair as described in clause (vii) was no less than twice the maximum amount projected for the then current or any future calendar year as the sum of the amounts of Assessments to be transferred pursuant to such section 151 with respect to: (x) all outstanding bonds and notes (including Outstanding Senior Bonds, but not Subordinate Bonds) for which transfers are to be made under such section 151 on a *pari passu* basis with the Bonds; (y) any outstanding Pledged Assessment Revenue Bonds, Series 2010A of the Authority; and (z) any proposed bonds or notes (other than Subordinate Bonds) that are expected to be issued and to be on such a *pari passu* basis under such section 151; provided, that, in projecting the transfer amount described in clauses (x), (y) or (z) for any year, interest payments upon any Series of Variable Interest Rate Bonds shall be projected on the basis of the maximum interest rate applicable to such Series, principal payments shall be projected on the basis of scheduled amortization except that any principal payments on Notes that are to be made from proceeds of long-term financing shall be disregarded; and further provided, that, in projecting the transfer amount described in clauses (x) or (y) for any year, such amount shall not include any transfer with respect to outstanding bonds or notes (including Outstanding Senior Bonds) that are expected to be paid or defeased in accordance with their terms through the application of the proceeds of proposed bonds or notes that are expected at the time of calculation to be issued or of cash or defeasance securities held at the time of calculation by the applicable trustee exclusively for such purpose;

(i) 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;

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

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

(l) An opinion of Bond Counsel stating, in the opinion of Bond Counsel: (i) that the Resolution, including the applicable Supplemental Resolution and any applicable Certificate of Determination authorizing the Series of Bonds, has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms and 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; (ii) that the Authority is duly authorized and entitled to issue such Series of Bonds; and (iii) that 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 Supplemental Resolution and any Certificate of Determination authorizing such 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 Supplemental Resolution and any Certificate of Determination authorizing such Refunding Bonds. *(Section 2.04)*

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

The Authority may include such provisions in the Supplemental Resolution or any Certificate of Determination 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 Supplemental Resolution or Certificate of Determination 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 with the Resolution 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 Supplemental Resolution or any Certificate of Determination authorizing such Series. 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 with respect to the related Bonds, 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 Supplemental Resolution or Certificate of Determination authorizing such Series.

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 the Supplemental Resolution or any Certificate of Determination authorizing such Series, 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. (*Section 2.05*)

### **Additional Obligations**

The Authority reserves the right to issue bonds, notes or any other obligations that are payable from and that are secured by a charge or lien on or right with respect to Assessments 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 on or right with respect to the Assessments that is senior to or pari passu with the pledge and lien created by the Resolution or are issued in compliance with the provisions of the Resolution described in the third paragraph under the caption "PARTICULAR COVENANTS—Creation of Liens" below. (*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 Arbitrage Rebate Fund), is 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 Note Amortization Payment of and interest on, Notes, and as security for the performance of any other obligation of the Authority under the Resolution and under each Supplemental Resolution, all in accordance with the provisions of the Resolution. 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 Arbitrage Rebate Fund); provided, that the Authority reserves the right by means of a Supplemental Resolution or Certificate of Determination to create additional funds and accounts solely for the benefit of the Holders of one or more Series of Bonds or, in accordance with the Supplemental Resolution or any Certificate of Determination authorizing a Series of Bonds, for the custody and application of proceeds of such Series of Bonds, or other amounts, that may be expressly excluded by such Supplemental Resolution or Certificate of Determination from this pledge for the benefit of Bondholders.

Notwithstanding anything to the contrary contained in the Resolution, subject to the provisions 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 or Qualified Swap Provider with respect to any Series of Bonds which are payable from the Revenues on a parity with the Bonds of the related Series 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 of the related Series or as Annual Ancillary Bond Facility Payments payable from the Debt Service Fund under clause “Second” under “Deposit of Revenues and Allocation Thereof” below. *(Section 5.01)*

#### **Establishment of Funds and Accounts**

The following funds and separate accounts within funds are established by the Resolution and shall be held and maintained by the Trustee, except for any Finance Fund Accounts within the Finance Fund which may, if so provided with respect to the proceeds of a Series of Bonds by the Supplemental Resolution or any Certificate of Determination authorizing such Series, be held and maintained by the Authority:

1. Finance Fund, which shall include a Capitalized Interest Account, a Cost of Issuance Account and such additional Finance Fund Accounts as may be established with respect to a Series of Bonds by the Supplemental Resolution or any Certificate of Determination authorizing such Series;
2. Debt Service Fund;
3. Debt Service Reserve Fund; and
4. Arbitrage Rebate Fund;

provided, that the respective amounts, if any, to be deposited in such accounts from the proceeds of the issuance of each Series of Bonds shall be established by the Supplemental Resolution or any Certificate of Determination authorizing such Series.

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 with respect to any Series in accordance with a Supplemental Resolution or any Certificate of Determination authorizing such Series 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 Arbitrage Rebate Fund and, except as otherwise provided in the provisions of the Resolution described under “Pledge” above, shall be held in trust for the benefit of the Holders of Bonds (provided, that the Authority reserves the right to create accounts and subaccounts within the foregoing funds and accounts and 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 as specified in the Supplemental Resolution or any Certificate of Determination authorizing such Series.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be deposited in the Capitalized Interest Account or otherwise applied as specified in the Supplemental Resolution or any Certificate of Determination authorizing 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. Amounts on deposit in the Cost of Issuance Account or in the Capitalized Interest Account that are determined by the Authority to be unnecessary for the purpose of the applicable account shall be transferred to any other account upon the written direction of the Authority. *(Section 5.03)*

### **Application of Moneys in the Finance Fund**

The Trustee shall deposit in the Finance Fund, or if so required by the Supplemental Resolution or Certificate of Determination authorizing such Series shall transfer to the Authority for deposit in a separate account, each amount required to be so deposited therein pursuant to such Supplemental Resolution or any Certificate of Determination.

Except as otherwise provided in the Resolution and, with respect to any Series, the Supplemental Resolution or any Certificate of Determination authorizing such Series, 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 applicable Financing Agreement. A separate account within the Finance Fund appropriately named shall be established for each Finance Fund Purpose financed or refinanced under any Financing Agreement in connection with which Bonds have been issued. *(Section 5.04)*

### **Deposit of Revenues and Allocation Thereof**

The Revenues which, pursuant to each Financing Agreement and the Resolution are required to be paid to the Trustee in any Bond Year (or in any annual period as may be provided by a Supplemental Resolution or Certificate of Determination to accommodate a statutory change in Assessment methodology) shall be paid to the Trustee and upon receipt thereof shall be applied by the Trustee in the following order of priority:

First: To the credit of the Debt Service Fund the amount, if any, necessary along with any scheduled transfers from the Capitalized Interest Account for such purpose during such period to the extent of funds then available in the Capitalized Interest Account for such purpose to make the amount on deposit in the Debt Service Fund equal to Debt Service with respect to all Senior Bonds for such period;

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 paragraph following clause "Sixth" below and amounts payable with respect to Parity Reimbursement Obligations as described in clause "First" above) for payments when due in such period under any Ancillary Bond Facility relating to a Series of Senior Bonds provided by such Facility Provider, with such amount set forth in such direction constituting the "Annual Ancillary Bond Facility Payments";

Third: To the credit of the Debt Service Fund, the amount, if any, necessary along with any scheduled transfers from the Capitalized Interest Fund for such purpose during such period to the extent of funds then available in the Capitalized Interest Account for such purpose to make the amount on deposit in the Debt Service Fund equal to Debt Service with respect to all Subordinate Bonds for such period;

Fourth: Upon direction of an Authorized Officer of the Authority to each Facility Provider (excluding amounts payable as and for Associated Costs pursuant to the paragraph following clause “Sixth” below and amounts payable with respect to Parity Reimbursement Obligations pursuant to clause “Third” above) for payments when due in such period under any Ancillary Bond Facility relating to a Series of Subordinate Bonds provided by such Facility Provider, with such amount set forth in such direction constituting the “Annual Ancillary Bond Facility Payments”;

Fifth: 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

Sixth: 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 that the Assessments pursuant to any Financing Agreement include a Coverage Factor and the Chair has instructed the Commissioner to transfer such Associated Costs as additional Revenues to the Trustee for deposit in the Debt Service Fund, such additional Revenues shall be applied by the Trustee toward Debt Service and credited toward the following year’s Debt Service of such Bonds or shall be applied by the Trustee to the mandatory principal amortization, optional redemption or purchase of such Bonds, as directed by the Authority.

The Trustee shall notify the Authority promptly after making the payments required by the preceding paragraphs 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 calendar year in accordance with each Financing Agreement. Thereafter, upon the direction of an Authorized Officer of the Authority, the remaining amount in the Debt Service Fund shall be paid by the Trustee to the Authority in accordance with each Financing Agreement, free and clear of the lien and pledge of the Resolution or remain in the Debt Service Fund for application to Debt Service of Bonds (in which case it shall be credited towards the following year’s Debt Service of such Bonds) or to the mandatory principal amortization, optional redemption or purchase of Bonds. (*Section 5.05*)

#### **Debt Service Fund**

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 Fund on such date, transfers shall be made from the Capitalized Interest Account to the Debt Service Fund, in the respective applicable scheduled amounts and otherwise in accordance with each Supplemental Resolution or Certificate of Determination 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

Fund 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 Fund 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 withdraw from the Debt Service Reserve Fund and deposit to the Debt Service Fund 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.

Notwithstanding the provisions described under this heading "Debt Service Fund," the Authority may direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, 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 any 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 such Sinking Fund Installment; 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 Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds and Notes, for the payment of principal of the Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds or Note Amortization Payments 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 Fund 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 Fund in excess of the amount required to pay the principal, Sinking Fund Installments of Outstanding Bonds and Note Amortization Payments payable on the next succeeding interest payment date, the interest on Outstanding Bonds and Notes 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 Fund at any time (other than: (i) moneys held solely for payment of scheduled interest or principal upon any Series of Outstanding Bonds or Notes; 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 Supplemental Resolution or Certificate of Determination 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 a Series of Bonds, if any, as shall be prescribed in the Supplemental Resolution or any Certificate of Determination authorizing the issuance of 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 that either (A) the claims paying ability of such insurance company or association is rated at the time of issuance, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest Rating Category 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 then rated, 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, the Authority 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, the Authority and 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, the Authority and 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, the Authority and 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 Fund at the times and in the amounts required to pay the interest on and the principal 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 Fund in accordance with such direction. If the value on any August 1 of the moneys and investments then held in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement (taking into account such transfers and applications), 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 Debt Service 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 Debt Service Fund unless, in the opinion of Bond Counsel, such application will not adversely effect the exclusion of interest on Tax-Exempt 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 Bonds 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 the Bonds or of the Costs of the Finance Fund Purpose to be funded will not adversely affect the exclusion of interest on any Tax-Exempt 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 in the Debt Service Reserve Fund on any August 1 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 Tax-Exempt 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 Tax-Exempt 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 5.08)*

### **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 Fund 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. Upon receipt of such notice, the Authority may direct the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and, with respect to any Series of Bonds, by the Supplemental Resolution or any Certificate of Determination authorizing such Series. *(Section 5.09)*

### **Transfer of Investments**

Whenever moneys in any fund or account established by the Resolution or by any Supplemental Resolution or Certificate of Determination are to be paid in accordance with the Resolution 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 Tax-Exempt Bonds for federal income taxation purposes. *(Section 5.10)*

## **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 such moneys shall be secured 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, if any, on deposit in any account in the Finance Fund that may be held by the Authority 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 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 Tax-Exempt Bond 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 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) and the Chair. Such report shall include at least: (i) a statement of all funds (including investments thereof) held by such Trustee pursuant to the provisions of the Resolution and of each Supplemental Resolution and any Certificate of Determination; (ii) a statement of the Revenues collected in connection with the Resolution and with each Supplemental Resolution; (iii) a statement that the balance in the Debt Service Reserve Fund meets the Debt Service Reserve Fund Requirement; and (iv) 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 Supplemental 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 Supplemental Resolution or any Certificate of Determination 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 upon Pledged Property created by such resolution is not prior or equal to the charge or lien upon Pledged Property created by the Resolution; 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.

The Authority shall not issue additional revenue bonds or notes pursuant to the Pledged Assessment Revenue Bond Resolution adopted on October 28, 2009, and shall not permit any extension of maturity of the Pledged Assessment Revenue Bonds, Series 2010A issued by the Authority.

The Authority shall not: (i) issue any additional revenue bonds or notes (including without limitation any Bonds) that are payable from Assessments on a basis that is *pari passu* in priority of application to that of the Bonds if such issuance would cause the aggregate originally issued principal amount of (a) the Pledged Assessment Revenue Bonds, Series 2010A, (b) Bonds and (c) other revenue bonds or notes that are payable from Assessments (other than revenue bonds or notes that are so payable on a basis that is subordinate in priority of application of Assessment to the priority of the Bonds), to exceed \$5.45 billion; (ii) issue revenue bonds or notes that are payable from Assessments on a basis that is *pari passu* in priority of application with the priority of the Bonds unless the requirement described above in clause (h) under the caption "AUTHORIZATION AND ISSUANCE OF BONDS — Provisions for Issuance of Bonds" could be met with respect to such issuance if such revenue bonds or notes were Senior Bonds; or (iii) issue any additional revenue bonds or notes that are payable from Assessments on a basis that is senior in priority of application to that of the Bonds. *(Section 7.06)*

### **Enforcement of Duties and Obligations under Financing Agreements; Amendment**

The Authority shall take all legally available action to cause the other parties to each Financing Agreement to perform fully all duties and acts and comply fully with the covenants required by such Financing Agreement in

the manner and at the times provided in such Financing Agreement. An amendment to any 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.

Without limitation to the preceding paragraph, the Authority shall take all legally available action to cause the other parties to each Financing Agreement to take all such actions as the Authority may deem necessary to enforce the levy, collection and application of Assessment as required by each Financing Agreement and each other financing agreement entered into by the Authority that is described in Section 151 of the Workers' Compensation Law including, without limitation, any minimum Assessment requirement and to permit such parties to assure the full and timely determination, assessment and collection of Assessments in each calendar year in accordance with the requirements of each such Financing Agreement and the full and timely application of Pledged Assessments in strict accordance with the requirements of Section 151(8) of the Workers' Compensation Law and with each such Financing Agreement. (*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 any Certificate of Determination, 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 7.08*)

### **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 Supplemental Resolution or any Certificate of Determination, except the pledge and lien of the Resolution and of the Bonds. (*Section 7.09*)

### **Tax Exemption; Rebates**

The following provisions apply only to Tax-Exempt Bonds.

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 any Series of Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each such Series, reporting of earnings on the Gross Proceeds of each such Series, and payment of 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 each Series of Tax-Exempt Bonds is 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 Tax-Exempt 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 any Series of Tax-Exempt Bonds shall not entitle the Holders 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 described in the preceding paragraphs under this caption or the provisions of the Code. (Section 7.10)

### Statutory Agreements

Subdivision 10 of Section 1680-q of the Public Authorities Law provides that the Authority is authorized to include the following covenants of the State, as a contract of the State, in any agreement with the owner of any bonds issued pursuant to said Section 1680-q. The Authority has included such covenants in the 2013A Supplemental Resolution for the benefit of Holders of Bonds authorized by the 2013A Supplemental Resolution; such inclusion, however, is expressly subject to the reservation described below. 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 Self-Insurer Offset Fund as defined for purposes of Section 1680-q, without limitation. ***(All terms that are expressly defined for purposes of Section 1680-q are used as so defined and language in square brackets has been substituted for corresponding language in Section 1680-q.)***

The state, solely with respect to the resources of the Self-Insurer Offset Fund and as set forth in the [each applicable] financing agreement, covenants with the purchasers and all subsequent owners and transferees of bonds issued by the authority pursuant to [section 1680-q of the public authorities law] 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 applicable] financing agreement and any contract made or entered into by the authority with or for the benefit of such owners:

(i) that in the event bonds of the authority 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 for the payment of debt service requirements in each year in which bonds are outstanding; and (iii) 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 bond proceedings authorizing the issuance of bonds with respect to application of pledged assessments for the payment of debt service requirements; (B) will not issue any bonds, notes or other evidences of indebtedness, other than the bonds authorized by [section 1680-q of the public authorities law], having any rights arising out of subparagraph two of paragraph (c) of subdivision five of section fifty of the workers' compensation law or [section 1680-q of the public authorities law] or secured by any pledge of or other lien or charge on the revenues pledged for the payment of debt service requirements, except for bonds authorized under subdivision eight of section fifteen of the workers' compensation law; (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 . . . 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 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 revenue coverage requirements. [Notwithstanding the foregoing]: (i) the remedies available to the authority and the bondholders for any breach of the pledges and agreements of the state set forth in [subdivision 10 of section 1680-q of the public authorities law] shall be limited to injunctive relief, (ii) nothing in [subdivision 10 of section 1680-q 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-q 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.

Section 151(8) of the Workers' Compensation Law provides that the Authority is authorized to include the following statutory provision in any contract with the holders of any bonds issued under Section 1680-l of the Public Authorities Law or under section 1680-q of the Public Authorities Law. The Authority has included such provision in the 2013A Supplemental Resolution for the benefit of Holders of Bonds authorized by the 2013A Supplemental Resolution; such inclusion, however, is expressly subject to the reservation set forth below. ***(All terms that are expressly defined for purposes of Section 151(8) are used as so defined and language in square brackets has been substituted for corresponding language in Section 151(8).)***

All moneys received on account of the assessment authorized by [section 151 of the workers' compensation law] shall be . . . applied . . . prior to any other application: first, in accordance with . . . [the financing agreement dated as of October 28, 2009 among the Commissioner, the Chair and the Authority] to the extent required to fully fund the then current payment and reserve requirements under such financing agreement; and second, in accordance with [each other "special disability fund financing agreement", as defined for purposes of section 15 of the workers' compensation law and section 1680-l of the public authorities law, and in accordance with each "self-insured bond financing agreement", as defined for purposes of section 50-c of the workers' compensation law and section 1680-q of the public authorities law,] to the extent required to fully fund the then current payment and reserve requirements under each such financing agreement. . . , on a *pari passu* basis without preference or priority . . . Such monies shall not be commingled with any other monies . . . prior to the completion of such application and shall not be deemed to be part of the state treasury or . . . under management of the state . . . The operation of [section 151 of the workers' compensation law] and the application of the receipts of the assessments authorized by [section 151 of the workers' compensation law] shall be subject to the provisions of each [special disability fund financing agreement and each self-insured bond financing agreement and section 151 of the workers' compensation law] shall not be deemed to authorize any infringement upon the rights of holders of bonds issued or to be issued under [the statutory provisions authorizing bonds payable in accordance with any such financing agreement.]

The inclusion in the 2013A Supplemental Resolution of the covenants described above is expressly subject to and conditioned upon the stipulation that any exercise by the State of its reserved powers, by a change in law, to authorize the issuance by the Authority of additional debt that is payable from and secured by a pledge of Assessments on a *pari passu* basis as to priority of application with revenue bonds that the Authority is statutorily authorized, as of the date of adoption of the 2013A Supplemental Resolution, to issue pursuant to section 1680-l or 1680-q of the Public Authorities Law (other than any previously approved but unissued bonds pursuant to such section 1680-l), for purposes other than as authorized by such sections as of such date and to provide, through amendment of section 151 of the Workers' Compensation Law or otherwise, for such *pari passu* application with respect to such subsequently authorized debt shall be conclusively deemed to have not failed to have made adequate provision for the protection of Holders of outstanding Bonds authorized by the 2013A Supplemental Resolution pursuant to the proceedings under which such Bonds are issued solely by reason of such exercise; provided that the total principal amount of then outstanding debt and of additional debt that the Authority is authorized to issue that may be so payable and secured from Assessments on such a *pari passu* basis is not thereby increased and that adequate provision is made to empower the Board to levy and collect sufficient Assessments in each year to fund the then current payment and reserve requirements of all Authority debt payable therefrom.

Subdivision 10 of Section 1680-q of the Public Authorities Law further provides that 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 said Section 1680-q. The Authority has included such covenant in the 2013A Supplemental Resolution for the benefit of Holders of Bonds authorized by the 2013A Supplemental Resolution. ***(All terms that are expressly defined for purposes of Section 1680-q are used as so defined and language in square brackets has been substituted for corresponding language in Section 1680-q.)***

Prior to the date which is one year and one day after the authority no longer has any bonds issued pursuant to [section 1680-q of the public authorities law] outstanding, the authority shall have no authority to file a

voluntary petition under chapter nine of the federal bankruptcy code or such corresponding chapter or sections as may be in effect, and neither any public officer nor any organization, entity or other person shall authorize the authority to be or become a debtor under chapter nine or any successor or corresponding chapter or sections during such period. The state hereby covenants with the owners of the bonds of the authority that the state will not limit or alter the denial of authority under [subdivision 10 of section 1680-q of the public authorities law] during the period referred to in the preceding sentence.

In addition, Section 50-c of the Workers' Compensation Law provides that the Authority is authorized to include the following provisions in any contract with its bondholders and the Authority has included such provision in the 2013A Supplemental Resolution for the benefit of Holders of Bonds authorized by the 2013A Supplemental Resolution. *(All terms that are expressly defined for purposes of Section 50-c are used as so defined and language in square brackets has been substituted for corresponding language in Section 50-c.)*

All monies received on account of [the assessment described in section 50-c(1) of the worker's compensation law] shall be applied in accordance with [the worker's compensation law and with each applicable] self-insured bond financing agreement until the financial obligations of the [Authority] in respect to its contract with its bondholders are met and all associated costs payable to or by the [Authority] have been paid, notwithstanding any other provision of law respecting secured transactions.

*(2013A Supplemental Resolution, Section 5.02)*

#### **Covenant as to Assessments**

The Authority shall require the Board, pursuant to the Employer Assessment Revenue Bond Financing Agreement dated as of October 9, 2013 among the Authority, the Chair and the Commissioner of Taxation and Finance of the State, on June 1 and September 1 of each year in which the Employer Assessment Revenue Bonds, Series 2013A Bonds are Outstanding, commencing June 1, 2014, unless the full Annual Debt Service Payment for such Bonds for the then current calendar year has been transferred in accordance with such Financing Agreement prior to such date, to determine if the then currently received and projected Assessment receipts will be sufficient to fully fund such transfers in an aggregate amount sufficient to provide for timely payments of all Debt Service on such Bonds during such calendar year and, if necessary, to adjust such Assessments to assure such sufficiency. *(2013A Supplemental Resolution, Section 5.03)*

### **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 Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by 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 Supplemental 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 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 provided 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 Supplemental Resolution or Certificate of Determination 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 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 Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such 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 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 Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No 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 Controlling Bonds Outstanding at the time such consent is given; (ii) in case less than all of the several Series of Controlling 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 Controlling 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 Controlling Bonds or of Bonds, as applicable (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 of Controlling Bonds or of Bonds, as applicable, 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 Controlling Bonds or of Bonds, as applicable, 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 Controlling Bonds or of Bonds, as applicable, 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 Controlling Bonds or of Bonds, as applicable, 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 described above under the caption “PARTICULAR COVENANTS—Tax Exemption; Rebates” 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 Supplemental Resolution or any Certificate of Determination 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 percent (25%) in principal amount of the Outstanding Controlling 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 percent (25%) in principal amount of the Outstanding Controlling 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 percent (25%) in principal amount of the Outstanding Controlling 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 Supplemental Resolution and any Certificate of Determination 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 Supplemental 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 Supplemental Resolution, any Certificate of Determination 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 Supplemental Resolution, any Certificate of Determination 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 Supplemental 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 Controlling 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 percent (25%) in principal amount of the Outstanding Controlling Bonds, or, in the case of an event of default specified in clause (c) above under the caption "DEFAULTS AND REMEDIES — Events of Default" affecting one or more Series of Controlling Bonds, the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Controlling 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 Supplemental Resolution and any Certificate of Determination, 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 Supplemental Resolution and any Certificate of Determination 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)*

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**FORM OF APPROVING OPINION OF BOND COUNSEL**

*Upon delivery of the Series 2013A Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to DASNY, proposes to deliver its approving opinion in substantially the following form:*

December \_\_, 2013

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

Ladies and Gentlemen:

We, as bond counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation and existing under the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State, including Section 1680-q thereof (the "Enabling Act"), have examined a record of proceedings relating to the issuance of \$369,700,000 aggregate principal amount of Employer Assessment Revenue Bonds, Series 2013A (Federally Taxable) (the "Series 2013A Bonds").

The Series 2013A Bonds are issued under and pursuant to the Enabling Act and the Employer Assessment Revenue Bond Resolution (the "Bond Resolution"), as supplemented by the Employer Assessment Revenue Bond Supplemental Resolution (the "Series 2013A Supplemental Resolution"), each adopted by the Authority on October 9, 2013. The Bond Resolution and the Series 2013A Supplemental 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 permitted by the Bond Resolution, and to issue other bonds payable from Assessments, without limitation as to amount except as provided by the Resolutions or as may be limited by the Enabling Act and other provisions of law authorizing such issuance as then in effect. Under and subject to the terms of the Bond Resolution, the Series 2013A Bonds and all Bonds hereafter issued and any Parity Reimbursement Obligations (other than certain Subordinate Bonds and any related Parity Reimbursement Obligations), 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 Taxation and Finance of the State (the "Commissioner") have entered into an Employer Assessment Revenue Bond Financing Agreement (the "2013 Financing Agreement"), dated as of October 9, 2013, by which the Chair is obligated to assess, levy and collect Assessments that shall include amounts certified by the Authority to provide for the payment of Debt Service, including the principal of and interest on Outstanding Series 2013A Bonds, and Associated Costs with respect to Bonds (collectively, the "Annual Debt Service Payment"). The 2013 Financing Agreement provides that all Assessments required by the Enabling Act and applicable provisions of the Workers' Compensation Law to be assessed, levied or collected by the Chair, including the amount projected for the Annual Debt Service Payment with respect to Bonds, are: (i) payable upon receipt by the Chair to the Commissioner; and (ii) to be deposited by the Commissioner into the Debt Service Fund held by the Trustee in the amount of such Annual Debt Service Payment after satisfaction of the financing requirements of the Pledged Assessment Revenue Bond Financing Agreement dated as of October 28, 2009 by and among the Authority, the Chair and the Commissioner entered into in connection with the Authority's Pledged Assessment Revenue Bonds, Series 2010A (the "2010 Financing Agreement"), but prior to any other application. The amount of such Annual Debt Service Payment so deposited and the right to receive such amount under the 2013 Financing Agreement, other than with respect to certain fees, has been pledged as Pledged Property by the Authority pursuant to the Resolutions. The

Enabling Act, applicable provisions of the Workers' Compensation Law and the 2013 Financing Agreement provide that the Assessments cannot be disbursed for any purpose, other than as required by the 2010 Financing Agreement and making such Annual Debt Service Payment, until the full amount of such Annual Debt Service Payment due in such calendar year has been transferred to the Trustee for deposit into the Debt Service Fund.

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

3. The Series 2013A Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the Pledged Property.

4. The Series 2013A 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 2013A Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2013A Bonds.

5. The 2013 Financing Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. The Enabling Act and the applicable provisions of the Workers' Compensation Law have validly provided for the levy, assessment and collection of Assessments in amounts at least equal to the amounts required to be assessed, levied and collected pursuant to the 2010 Financing Agreement and to the 2013 Financing Agreement, 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 Workers' Compensation Board, the Commissioner and the Authority under the Resolutions and the 2013 Financing Agreement with respect to the application of Assessments that are pledged for the payment of debt service requirements, and not to limit, modify, rescind, repeal or otherwise alter the rights or obligations of the Chair to impose, maintain, charge or collect the Assessments as may be necessary to produce sufficient revenues to fulfill the requirements of the Resolutions; 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 Assessments, 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 secured thereby, including the Series 2013A Bonds.

7. Interest on the Series 2013A Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. Under existing statutes, interest on the Series 2013A Bonds is exempt from personal income taxes imposed by the State 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 2013A Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. 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 2013A 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 2013A Bonds, the Resolutions and the 2013 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 2013A Bond, and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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