



**\$46,150,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**NYSARC, INC. REVENUE BONDS, SERIES 2009A**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

**Payment and Security:** The NYSARC, Inc. Revenue Bonds, Series 2009A (the “Series 2009A Bonds”) will be special obligations of the Dormitory Authority of the State of New York (the “Authority”), secured by a pledge of (i) certain payments to be made under the Loan Agreement dated as of March 25, 2009 (the “Loan Agreement”) between NYSARC, Inc. (“NYSARC”) and the Authority, and (ii) certain funds and accounts authorized under the Authority’s NYSARC, Inc. Revenue Bond Resolution adopted on March 25, 2009 (the “Resolution”), and established under the Authority’s Series 2009A Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2009A adopted on March 25, 2009 (the “Series 2009A Resolution”).

The Loan Agreement is a general obligation of NYSARC and requires NYSARC to pay amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2009A Bonds, as such payments become due. The obligation of NYSARC under the Loan Agreement to make such payments will be secured by NYSARC’s pledge of certain revenues. At the time of delivery of the Series 2009A Bonds, a portion of the proceeds of the Series 2009A Bonds will be deposited in the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement.

**The Series 2009A Bonds will not be a debt of the State of New York nor will the State of New York be liable thereon. The Authority has no taxing power.**

**Description:** The Series 2009A Bonds will bear interest at the rates and will mature on the dates shown on the inside front cover.

The Series 2009A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof under a Book-Entry Only System and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Individual purchases of beneficial interests in the Series 2009A Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2009A Bonds, payments of the principal and Redemption Price of and interest on the Series 2009A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement to beneficial owners is the responsibility of DTC participants. See “PART 3 - THE SERIES 2009A BONDS - Book-Entry Only System” herein.

The Bank of New York Mellon, New York, New York will be the Trustee for the Series 2009A Bonds.

**Redemption:** The Series 2009A Bonds are subject to redemption prior to maturity as more fully described herein.

**Tax Exemption:** In the opinion of Bond Counsel under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes and is not an “item of tax preference” for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2009A Bonds is exempt under existing laws from personal income taxes imposed by New York State or any political subdivision thereof (including the City of New York and the City of Yonkers). See “PART 10 - TAX MATTERS” herein regarding certain other tax considerations.

*The Series 2009A Bonds are offered when, as and if issued. The offer of the Series 2009A Bonds may be subject to prior sale, withdrawal or modification at any time without notice. The offer is subject to the approval of legality by Hiscock & Barclay, LLP, Albany, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for NYSARC by its counsel, Bryan Cave LLP, New York, New York, and for the Underwriter by its counsel, Squire, Sanders & Dempsey L.L.P., Cleveland, Ohio. NYSARC has been advised of certain matters by its financial advisor, Municipal Capital Markets Group, Inc., Dallas, Texas. The Authority expects to deliver the Series 2009A Bonds in definitive form in New York, New York on or about July 30, 2009.*

**KeyBanc Capital Markets Inc.**  
**Grigsby & Associates, Inc.** **Raymond James & Associates, Inc.**

**\$46,150,000**  
**NYSARC, Inc. Revenue Bonds, Series 2009A**

**\$41,900,000 Serial Bonds**

<u>Due July 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number<sup>(1)</sup></u>	<u>Due July 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number<sup>(1)</sup></u>
2010	\$3,005,000	3.000%	1.930%	649905HC3	2020	\$2,840,000	5.000%	5.070%	649905HN9
2011	3,005,000	3.000	2.540	649905HD1	2021	2,715,000	5.000	5.220	649905HP4
2012	2,995,000	4.000	2.870	649905HE9	2022	1,860,000	5.250	5.350	649905HQ2
2013	2,985,000	4.000	3.350	649905HF6	2023	1,145,000	5.300	5.450	649905HR0
2014	2,970,000	3.500	3.770	649905HG4	2024	720,000	5.375	5.540	649905HS8
2015	2,965,000	5.000	4.030	649905HH2	2025	595,000	5.500	5.620	649905HT6
2016	2,960,000	4.000	4.290	649905HJ8	2026	590,000	5.600	5.700	649905HU3
2017	2,945,000	4.250	4.550	649905HK5	2027	590,000	5.625	5.770	649905HV1
2018	2,940,000	4.500	4.730	649905HL3	2028	590,000	5.750	5.830	649905HW9
2019	2,895,000	4.750	4.900	649905HM1	2029	590,000	5.750	5.880	649905HX7

**\$1,705,000\* 6.000% Term Bond due July 1, 2032, Price 100.364% to Yield 5.950%, CUSIP No. 649905HY5**  
**\$2,545,000 6.000% Term Bond due July 1, 2038, Price 99.721% to Yield 6.020%, CUSIP No. 649905HZ2**

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\*Priced to the July 1, 2019 par call

<sup>(1)</sup> CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2009A Bonds. Neither the Authority nor the Underwriter is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2009A Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2009A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2009A Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2009A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, NYSARC or the Underwriter to give any information or to make any representations with respect to the Series 2009A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, NYSARC or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2009A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

NYSARC has reviewed the portions of this Official Statement describing NYSARC, the Participating Chapters, the Projects and the Estimated Sources and Uses of Funds, and Appendices B, B-1 and B-2. It is a condition to the sale and delivery of the Series 2009A Bonds that NYSARC certify that, as of each such date, such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements were made, not misleading. NYSARC makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

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

References in this Official Statement to the Act, the Resolution, the Series 2009A Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2009A Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2009A Resolution and the Loan Agreement are on file with the Authority and the Trustee.

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

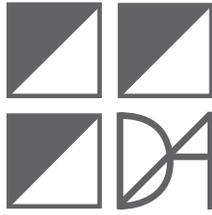
Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority or NYSARC have remained unchanged after the date of this Official Statement.

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2009A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009A BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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

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**OFFICIAL STATEMENT  
RELATING TO THE**

**\$46,150,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK  
NYSARC, INC. REVENUE BONDS, SERIES 2009A**

**PART 1 – INTRODUCTION**

**Introductory Statement**

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

**Purpose of the Official Statement**

The purpose of this Official Statement, including the cover page, the inside front cover page and appendices, is to provide information about the Authority and NYSARC in connection with the issuance by the Authority of \$46,150,000 aggregate principal amount of its NYSARC, Inc. Revenue Bonds, Series 2009A (the “Series 2009A Bonds”).

The following is a brief description of certain information concerning the Series 2009A Bonds, the Authority and NYSARC. A more complete description of such information and additional information that may affect decisions to invest in the Series 2009A Bonds is contained

throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

### **Purpose of the Issue**

The Series 2009A Bonds are being issued (i) to finance or refinance various real estate acquisitions, renovations and equipment purchases, (ii) to pay certain costs of issuance of the Series 2009A Bonds, and (iii) to fund a Debt Service Reserve Fund for the Series 2009A Bonds in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2009A Bonds. *See* “PART 5 - PARTICIPATING CHAPTER AND PROJECT INFORMATION” and “PART 6 - ESTIMATED SOURCES AND USES OF FUNDS.”

### **Authorization of Issuance**

The Resolution authorizes the issuance of multiple Series of Bonds pursuant to separate Series Resolutions for the benefit of NYSARC. The Series 2009A Bonds will be issued pursuant to the Act, the Resolution and the Series 2009A Resolution. The Resolution also authorizes the issuance of additional Series of Bonds for the benefit of NYSARC. *See* “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS” and “PART 3 - THE SERIES 2009A BONDS.”

### **The Authority**

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit corporations. *See* “PART 7 - THE AUTHORITY.”

### **NYSARC**

NYSARC is a not-for-profit corporation organized under the laws of the State and provides a variety of services for the developmentally disabled. The headquarters of NYSARC is in Delmar, New York. *See* “PART 4 – NYSARC,” “Appendix B – NYSARC, Inc. Combined Financial Statements as of December 31, 2007 Together with Accountants’ Compilation Report (Unaudited),” “Appendix B-1 – Certain NYSARC, Inc. Combined Financial Statements as of and for the year ended December 31, 2008 (Preliminary and Unaudited),” “Appendix B-2 – Certain NYSARC, Inc. Combined Financial Statements as of and for the three-month periods ended March 31, 2008 and March 31, 2009 (Preliminary and Unaudited).”

### **The Series 2009A Bonds**

The Series 2009A Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2010, and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the inside front cover page of this Official Statement. *See* “PART 3 - THE SERIES 2009A BONDS - Description of the Series 2009A Bonds.”

## **Payment of the Series 2009A Bonds**

The Series 2009A Bonds will be special obligations of the Authority payable solely from the Revenues, which consist of certain payments NYSARC is obligated to make under the Loan Agreement. The Revenues include Public Funds that would otherwise be payable to the Participating Chapters, but that will be paid by NYSARC directly to the Authority and by the Authority to the Trustee, on account of NYSARC's obligations under the Loan Agreement. The Loan Agreement is a general obligation of NYSARC. Pursuant to the Resolution and the Series 2009A Resolution, the Revenues and the Authority's right to receive the Revenues have been pledged and assigned by the Authority to the Trustee. *See* "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS."

## **Security for the Series 2009A Bonds**

The Series 2009A Bonds will be secured by the pledge and assignment to the Trustee of the Revenues under the Resolution and the Series 2009A Resolution and NYSARC's grant to the Authority under the Loan Agreement, subject to Prior Pledges, of a security interest in the Pledged Revenues. The Series 2009A Bonds will also be secured by the proceeds from the sale of the Series 2009A Bonds until disbursed as provided by the Resolution and the Series 2009A Resolution, and certain funds and accounts authorized by the Resolution and established by the Series 2009A Resolution for the Series 2009A Bonds, including the Debt Service Reserve Fund. The Arbitrage Rebate Fund is not pledged to secure the Series 2009A Bonds.

The Series 2009A Bonds are secured by the Loan Agreement and the security interest in Pledged Revenues granted by NYSARC to the Authority thereunder. The holders of bonds issued by the Authority for the benefit of NYSARC, other than the Series 2009A Bonds, are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2009A Bonds; provided that, under certain circumstances, the Loan Agreement authorizes the incurrence of indebtedness by NYSARC secured on a parity with the Series 2009A Bonds as to the security interest in Pledged Revenues granted thereunder by NYSARC to the Authority. *See* "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS - Security for the Series 2009A Bonds" and "Appendix C - Summary of Certain Provisions of the Loan Agreement - Security Interest in Pledged Revenues."

**The Series 2009A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.**

## **The Mortgages**

NYSARC's obligations to the Authority under the Loan Agreement in connection with the Series 2009A Bonds will also be secured by certain mortgages on the Mortgaged Property (the "Mortgages") and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith. At present, the Trustee does not have any interest in the Mortgages, and the Mortgages do not provide any security for the Series 2009A Bonds. If a withdrawal is made from the Debt Service Reserve Fund established for the Series 2009A Bonds and is not reimbursed within 30 days from the date of the withdrawal, the Authority is obligated to assign the Mortgages and those security interests to the Trustee. If the

balance in the Debt Service Reserve Fund is restored to the Debt Service Reserve Fund Requirement, any Mortgage that has not been foreclosed is required to be reassigned to the Authority upon its request. Unless the Mortgages and security interests are assigned by the Authority to the Trustee, none of the Mortgages, the security interests in fixtures, furnishings and equipment, or any proceeds therefrom will be pledged to the Holders of the Series 2009A Bonds. Further, property subject to any Mortgage may be released and any Mortgage may be amended without the consent of the Trustee or the Holders of any Series 2009A Bonds.

**No representation is made as to the nature or value of the property subject to the Mortgages or as to the validity or priority of the lien of the Mortgages upon the property to which they relate, and potential purchasers of the Series 2009A Bonds should not rely upon the Mortgages or that property as providing security for payment of Debt Service Charges on the Series 2009A Bonds. No appraisals of that property have been obtained and no mortgagee's policies of title insurance have been obtained with respect to any of the Mortgages.**

### **Concurrent Offering**

Concurrent with the offering of the Series 2009A Bonds, the Authority is reoffering, at the request of NYSARC, \$7,465,000 aggregate principal amount of its NYSARC, Inc. Insured Revenue Bonds, Series 2007B, which are currently outstanding in the aggregate principal amount of \$7,855,000 (the "Series 2007B Bonds"). The Series 2007B Bonds were issued on January 30, 2007 pursuant to the Authority's NYSARC, Inc. Revenue Bond Resolution and Series Resolution Authorizing NYSARC, Inc. Insured Revenue Bonds, Series 2007B, each adopted on December 19, 2006, and a Bond Series Certificate dated as of January 29, 2007 (collectively, the "2007B Authority Proceedings"), for the purpose of funding a loan for the benefit of NYSARC's Westchester Chapter under a Loan Agreement dated as of December 19, 2006 (the "2007B Loan Agreement"), between the Authority and NYSARC. Payment of the 2007B Bonds is secured by the 2007B Loan Agreement, including a pledge and assignment by the Authority of revenues derived thereunder, and NYSARC's grant to the Authority under the 2007B Loan Agreement of a security interest in certain revenues allocable to the Westchester Chapter, which security interest constitutes a Prior Pledge to which the pledge granted under the Loan Agreement for the benefit of the Series 2009A Bonds is subject.

The interest rate on the Series 2007B Bonds being reoffered is to be converted on August 6, 2009 (the "Conversion Date") from a variable weekly interest rate to fixed interest rates. The reoffered Series 2007B Bonds will be remarketed on, and will bear interest on and after, the Conversion Date at fixed interest rates. As a consequence of prior redemptions of Series 2007B Bonds and the proposed debt structure for the reoffered Series 2007B Bonds, the Debt Service Reserve Fund Requirement for the Series 2007B Bonds will decrease and the excess money on deposit in the Debt Service Reserve Fund for the Series 2007B Bonds will be applied to retire \$390,000 aggregate principal amount of the Series 2007B Bonds on the Conversion Date.

The reoffering of the Series 2007B Bonds is described in greater detail in the Authority's Reoffering Statement dated July 10, 2009 (the "Reoffering Statement"), pertaining to those bonds. A copy of the Reoffering Statement is available upon request to Jeffrey S. Freese,

Managing Director, Public Finance, KeyBanc Capital Markets Inc., 127 Public Square, OH-01-02-0427, Cleveland, Ohio 44114, by telephone at 1-216-689-0814 or by email at jfreese@keybanccm.com.

## **PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS**

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2009A Bonds and certain related covenants. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2009A Resolution, and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund and the Debt Service Reserve Fund refer to such funds established pursuant to the Series 2009A Resolution.*

### **Payment of the Series 2009A Bonds**

The Series 2009A Bonds will be special obligations of the Authority. The principal of and interest on (collectively, "Debt Service Charges") the Series 2009A Bonds will be payable solely from the Revenues. The Revenues consist of the payments required to be made by NYSARC under the Loan Agreement to provide for the payment of the Debt Service Charges on the Series 2009A Bonds and to maintain the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement. The Revenues and the right to receive them have been pledged and assigned by the Authority to the Trustee for the benefit of the Series 2009A Bondholders.

The Loan Agreement will be a general obligation of NYSARC and obligates NYSARC to make payments monthly on the 10th day of each month sufficient to provide for the timely payment of Debt Service Charges on Outstanding Series 2009A Bonds. Each monthly payment in respect of the interest component of the Debt Service Charges on the Series 2009A Bonds is to be equal to a proportionate share of the interest component of the Debt Service Charges payable on the next succeeding interest payment date. Each monthly payment in respect of any principal component of the Debt Service Charges payable on the next succeeding July 1 on the Series 2009A Bonds is to be equal to a proportionate share of such principal component. All payments to the Trustee in respect of Debt Service Charges are thus due by NYSARC in full at least 20 days prior to the date that Debt Service Charges are payable on the Series 2009A Bonds. The Loan Agreement also obligates NYSARC to pay, at least 45 days prior to the redemption date for Series 2009A Bonds called for redemption, the amount required to pay the Redemption Price of such Bonds. *See "PART 3 -THE SERIES 2009A BONDS - Redemption Provisions."*

The Act authorizes NYSARC to pledge and assign all Public Funds to the Authority. NYSARC has assigned the Public Funds to the Authority to satisfy NYSARC's obligations under the Loan Agreement to provide for payment of Debt Service Charges on the Series 2009A Bonds. The Authority has waived its right to collect those amounts payable to the Authority, including the OMRDD Revenues, unless and until an event described in clause (a) or (b) of the next paragraph occurs.

Any Public Funds and other Pledged Revenues collected by NYSARC that are not required to be paid to the Trustee for Debt Service Charges on the Series 2009A Bonds or to make up any deficiencies in funds or accounts established pursuant to the Resolution or the Series 2009A Resolution are free and clear of the security interest granted under the Loan Agreement, and NYSARC may dispose of that money for any of its corporate purposes unless and until (a) an Event of Default, or any event that with the passage of time or the giving of notice, or both, would be an Event of Default, has occurred and is continuing or (b) there has occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by NYSARC as required by the Loan Agreement and the Resolution. Pursuant to the Act and the Loan Agreement, NYSARC has pledged and assigned to the Authority, the Public Funds in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement. Pursuant to the Act, all state and local officers responsible for any Public Funds are authorized and required to pay the Public Funds so assigned and pledged to the Authority in accordance with the Loan Agreement. Upon the occurrence and during the continuation of an event described in clause (a) or (b) above and unless the Authority has agreed otherwise, the Authority will, in addition to all other remedies available pursuant to the Loan Agreement, cause the Public Funds described to be deducted, withheld or paid directly to the Authority or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement.

### **Security for the Series 2009A Bonds**

The Series 2009A Bonds are secured equally and ratably by the Authority's pledge and assignment to the Trustee of the Revenues, and NYSARC's grant to the Authority under the Loan Agreement, subject to the Prior Pledges, of a security interest in the Pledged Revenues, and the pledge and assignment of that security interest by the Authority to the Trustee under the Resolution and the Series 2009A Resolution. The Series 2009A Bonds are also secured by any undisbursed proceeds from the sale of the Series 2009A Bonds and all funds and accounts authorized by the Resolution and established by the Series 2009A Resolution including the Debt Service Reserve Fund, but excluding the Arbitrage Rebate Fund. Pursuant to the terms of the Resolution and the Series 2009A Resolution, the Series 2009A Bonds are secured by the Loan Agreement and the security interest in Pledged Revenues granted by NYSARC to the Authority thereunder, which has been further pledged and assigned by the Authority to the Trustee. The holders of bonds issued by the Authority for the benefit of NYSARC, other than the Series 2009A Bonds, are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2009A Bonds; provided that, under certain circumstances, the Loan Agreement authorizes the incurrence of indebtedness by NYSARC secured on a parity with the Series 2009A Bonds as to the security interest in Pledged Revenues granted thereunder by NYSARC to the Authority. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS - Security for the Series 2009A Bonds" and "Appendix C - Summary of Certain Provisions of the Loan Agreement - Security Interest in Pledged Revenues."

### ***Pledged Revenues***

The Series 2009A Bonds are secured, subject to the Prior Pledges, by the security interest in the Pledged Revenues granted by NYSARC to the Authority under the Loan Agreement. This security interest has been pledged and assigned by the Authority to the Trustee under the

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

Under certain circumstances described therein, the Loan Agreement authorizes the incurring of long-term indebtedness by NYSARC secured on a parity with the Series 2009A Bonds with respect to the security interest in Pledged Revenues. See “Appendix C -- Summary of Certain Provisions of the Loan Agreement -- Security Interest in Pledged Revenues.”

### ***Debt Service Reserve Fund***

The Resolution and the Series 2009A Resolution authorize the establishment of a Debt Service Reserve Fund for the Series 2009A Bonds. The Debt Service Reserve Fund will be required to be held by the Trustee, for application solely to the purposes specified in the Resolution and the Series 2009A Resolution, and will be pledged to secure the payment of Debt Service Charges on the Series 2009A Bonds. The Debt Service Reserve Fund will be funded upon issuance of the Series 2009A Bonds in an amount equal to 10% of the principal amount of the Series 2009A Bonds, and is required thereafter to be maintained, subject to adjustment on each July 1, in an amount equal to the greater of (i) \$2,934,047.67 (which represents 125% of the average of the payments required to be made by NYSARC under the Loan Agreement in any one Bond Year in respect of Debt Service Charges payable on the Series 2009A Bonds on the date of issuance of the Series 2009A Bonds), and (ii) 10% of the principal amount of the Series 2009A Bonds that remain outstanding on July 1 after a payment of principal on such date. See “Appendix D – Summary of Certain Provisions of the Resolution.”

Money in the Debt Service Reserve Fund for the Series 2009A Bonds is to be withdrawn and deposited whenever the amount on deposit in the Debt Service Fund on the fourth Business Day prior to an interest payment date is less than the amount needed to pay Debt Service Charges on Outstanding Series 2009A Bonds payable on such interest payment date. The Resolution and the Loan Agreement require NYSARC to restore the Debt Service Reserve Fund to the amount of the Debt Service Reserve Fund Requirement for the Series 2009A Bonds by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Money in the Debt Service Reserve Fund in excess of the Debt Service Reserve

Fund Requirement will be permitted to be withdrawn and applied in accordance with the Resolution and the Series 2009A Resolution. *See* “Appendix D - Summary of Certain Provisions of the Resolution.”

### **Certain Financial Covenants Made by NYSARC**

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

#### ***Rate Covenant***

NYSARC agrees to conduct its operations in such manner as to produce a Debt Service Coverage Ratio equal to or greater than 1:1 for each Fiscal Year. NYSARC is required to prepare and deliver annually to the Trustee and the Authority, following the conclusion of each Fiscal Year, certificates as to its Debt Service Coverage Ratio for that Fiscal Year. These certificates are required to be delivered (i) not later than 150 days after the last day of each Fiscal Year, on the basis of NYSARC’s Preliminary Financial Statements for that Fiscal Year, and (ii) not later than 365 days after the last day of each Fiscal Year, on the basis of NYSARC’s Final Annual Financial Statements for that Fiscal Year. *See* “PART 4 – NYSARC – Financial Matters – Financial Reporting” for the definition and background concerning the preparation of “Preliminary Financial Statements” and “Final Annual Financial Statements.”

#### ***Additional Long-Term Parity Debt***

NYSARC may incur additional Long-Term Debt secured on a parity with the Series 2009A Bonds with respect to the Pledged Revenues (excluding OMRDD Revenues), without obtaining the prior consent of the Authority; provided that, (i) NYSARC has outstanding Long-Term Debt (including the Bonds) rated, without regard to any Credit Facility or other credit enhancement, “A” or higher (without regard to numeric or “+” or “-“ modifiers) by at least one of the Rating Services and (ii) the Debt Service Coverage Ratio for the most recently completed Fiscal Year preceding the proposed incurrence of the additional Long-Term Debt, taking into account all of NYSARC’s existing Long-Term Debt and the proposed additional Long-Term Debt, would be not less than (a) 1:1 if the purpose of the additional Long-Term Debt is to finance projects for which NYSARC has received a PPA (as defined in “PART 4 - NYSARC - Revenues - Prior Property Approval Process”) or (b) 1.1:1 if the additional Long-Term Debt is proposed to be issued for any purpose that is not covered by a PPA. The calculation of the Debt Service Coverage Ratio is required to be set forth in a written certificate of either an independent certified public accountant or an officer of NYSARC and may be based upon the Preliminary Financial Statements for a particular Fiscal Year if the Final Annual Financial Statements for that Fiscal Year are not yet available.

#### ***Short-Term Indebtedness***

NYSARC may incur Short-Term Indebtedness without limitation; provided that, during any 12-month period, there is not permitted to be outstanding any Short-Term Indebtedness for a period of not less than 30 days or such shorter period as is acceptable to the Authority; provided further, that NYSARC is permitted to incur, and there is permitted to remain outstanding from time to time, Short-Term Indebtedness in an amount that does not exceed 16 percent of

NYSARC's unrestricted revenues for the Fiscal Year prior to NYSARC's most recently concluded Fiscal Year.

### **Events of Default and Acceleration**

The Resolution provides that events of default thereunder and under the Series 2009A Resolution constitute events of default only with respect to the Series 2009A Bonds. The following are events of default under the Resolution and the Series 2009A Resolution: (i) a default in the payment of the principal or Redemption Price of or interest payable on the Series 2009A Bonds when they become due and payable; (ii) the Authority shall take any action, or fail to take any action, in violation of any covenant contained in the Series 2009A Resolution concerning compliance with the Code, and as a result thereof interest on the Series 2009A Bonds is no longer excludable from gross income for federal income tax purposes; (iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Resolution, the Series 2009A Bonds or the Series 2009A Resolution that continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of the Outstanding Series 2009A Bonds) or, if such default is not capable of being cured within 30 days, if the Authority fails to commence the cure of such default within 30 days of the written notice or to diligently prosecute the cure thereof; or (iv) an "Event of Default," as defined in the Loan Agreement, has occurred and is continuing and all amounts payable by NYSARC under the Loan Agreement have been declared to be immediately due and payable (unless such declaration has been annulled). Unless all amounts payable by NYSARC under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that if an event of default (other than an event of default described in clause (ii) of the preceding paragraph) occurs and is continuing, the Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Outstanding Series 2009A Bonds shall, by written notice to the Authority, declare the principal of and interest on all the Outstanding Series 2009A Bonds to be due and payable immediately.

The Resolution provides that the Trustee is to give notice of each event of default known to the Trustee to holders of the Series 2009A Bonds within 30 days after obtaining knowledge of the occurrence of the event of default, unless the default has been remedied or cured before the notice is given; provided, however, that except in the case of default in the payment of Debt Service Charges on any of the Series 2009A Bonds, the Trustee will be protected in withholding notice thereof to the Holders if and as long as the Trustee determines, in good faith, that withholding the notice is in the best interests of the Holders of the Series 2009A Bonds.

### **General**

The Series 2009A Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of Debt Service Charges on its bonds or notes. *See* "PART 7 - THE AUTHORITY."

## **PART 3 - THE SERIES 2009A BONDS**

*Set forth below is a narrative description of certain provisions relating to the Series 2009A Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2009A Resolution and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution," for a more complete description of certain provisions of the Series 2009A Bonds.*

### **General**

The Series 2009A Bonds will be issued pursuant to the Resolution. The Series 2009A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2009A Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2009A Bonds, payments of Debt Service Charges on the Series 2009A Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of those payments to the Beneficial Owners of the Series 2009A Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book Entry Only System is discontinued for the Series 2009A Bonds, the Series 2009A Bonds will be exchangeable for fully registered Series 2009A Bonds in any authorized denominations of the same maturity, without charge, except the payment of any tax, fee or other governmental charge required to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See " - Book-Entry Only System" herein and "Appendix D - Summary of Certain Provisions of the Resolution."

### **Description of the Series 2009A Bonds**

The Series 2009A Bonds will be dated the date of their initial delivery and bear interest from such date (payable January 1, 2010 and on each July 1 and January 1 thereafter) at the rates set forth on the inside front cover page of this Official Statement. The Series 2009A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2009A Bonds may be exchanged for other Series 2009A Bonds of any other authorized denominations upon payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution.

### **Redemption and Purchase in Lieu of Redemption Provisions**

The Series 2009A Bonds are subject to optional and mandatory redemption as described below.

***Optional Redemption***

The Series 2009A Bonds are subject to redemption prior to maturity on or after July 1, 2019, in any order at the option of the Authority, upon the request of NYSARC, as a whole or in part at any time, at a price of par plus accrued interest to the redemption date.

***Mandatory Redemption***

The Series 2009A Bonds maturing on July 1, 2032 are also subject to mandatory sinking fund redemption, in part, on each July 1 of the years and in the aggregate principal amounts set forth below, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption (with the aggregate principal amount of \$555,000 to be paid at stated maturity on July 1, 2032):

<u>Year</u>	<u>Amount</u>
2030	\$595,000
2031	555,000

The Series 2009A Bonds maturing on July 1, 2038 are also subject to mandatory sinking fund redemption, in part, on each July 1 of the years and in the aggregate principal amounts set forth below, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption (with the aggregate principal amount of \$400,000 to be paid at stated maturity on July 1, 2038):

<u>Year</u>	<u>Amount</u>
2033	\$470,000
2034	465,000
2035	405,000
2036	400,000
2037	405,000

***Special Redemption***

The Series 2009A Bonds are also subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of the Authority on any Interest Payment Date, (i) from proceeds of a condemnation or insurance award with respect to a Project, which proceeds are not used to repair, restore or replace the Project; and (ii) from unexpended proceeds of the Series 2009A Bonds upon the abandonment of all or a portion of a Project due to a legal or regulatory impediment.

***Selection of Bonds to be Redeemed***

In the case of redemptions of Series 2009A Bonds, other than mandatory redemptions, the Authority will select the maturities of the Series 2009A Bonds to be redeemed.

If less than all of the Outstanding Series 2009A Bonds of a maturity are to be redeemed, the Series 2009A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using a method of selection that the Trustee considers proper in its discretion.

### ***Notice of Redemption***

The Trustee is to give notice of redemption of Series 2009A Bonds in the name of the Authority, by first-class mail, postage prepaid, to the registered owners of any Series 2009A Bonds that are to be redeemed, at their last known addresses appearing on the registration books of the Authority, not fewer than 30 days nor more than 45 days prior to the redemption date. The failure of any owner of a Series 2009A Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2009A Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee will publish or cause to be published such notice in an Authorized Newspaper not fewer than 30 days nor more than 45 days prior to the redemption date, but publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2009A Bonds.

If, on the redemption date, money for the redemption of the Series 2009A Bonds to be redeemed, together with interest thereon to the redemption date, is held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2009A Bonds called for redemption will cease to accrue from and after the redemption date and those Series 2009A Bonds will no longer be considered to be Outstanding.

For a more complete description of the redemption and other provisions relating to the Series 2009A Bonds, *see* “Appendix D - Summary of Certain Provisions of the Resolution.”

### ***Purchase in Lieu of Optional Redemption***

The Series 2009A Bonds maturing after July 1, 2019 are subject to purchase in lieu of optional redemption prior to maturity at the election of NYSARC on or after July 1, 2019, in any order, in whole or in part at any time, at par, plus accrued interest to the date set for purchase.

Notice of purchase of the Series 2009A Bonds will be given in the name of NYSARC to the registered owners of the Series 2009A Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the purchase date.

The Series 2009A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2009A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2009A Bonds are called for purchase in lieu of an Optional Redemption, such purchase will not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2009A Bonds and such Series 2009A Bonds need not be cancelled, but will remain Outstanding under the Resolution and in such case will continue to bear interest.

NYSARC’s obligation to purchase a Series 2009A Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for

all of the Series 2009A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2009A Bonds to be purchased, the former registered owners of such Series 2009A Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2009A Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2009A Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2009A Bonds of a maturity are to be purchased, the Series 2009A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2009A Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2009A Bonds, *see* “Appendix D -- Summary of Certain Provisions of the Resolution.”

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2009A Bonds. The Series 2009A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009A Bond certificate will be issued for each maturity of the Series 2009A Bonds, totaling in the aggregate the principal amount of the Series 2009A Bonds, and will be deposited with DTC.

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

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

Purchases of the Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009A 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 2009A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009A Bonds, except in the event that use of the book-entry system for such Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A 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 2009A 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 2009A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2009A 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 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in

accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2009A Bonds purchased or tendered, through its Direct or Indirect Participant, to the Tender Agent, and shall effect delivery of such Series 2009A Bonds by causing the Direct Participant to transfer its or an Indirect Participant's interest in such Series 2009A Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Series 2009A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2009A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2009A Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2009A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, definitive Series 2009A Bonds will also be printed and delivered.

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

Each person for whom a Direct or Indirect Participant acquires an interest in the Series 2009A Bonds, as nominee, may desire to make arrangements with such Direct or Indirect Participant to receive a credit balance in the records of such Direct or Indirect Participant, and may desire to make arrangements with such Direct or Indirect Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Direct or Indirect Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2009A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2009A Bonds (other than under the captions “PART 10 - TAX MATTERS herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2009A Bonds.

### Principal and Interest Requirements

The following table sets forth the amounts required to be paid by NYSARC under the Loan Agreement during each twelve-month period ending June 30 of the Bond Years shown in respect of the payment of Debt Service Charges payable on the Series 2009A Bonds:

12-Month Period Ending June 30	Series 2009A Bonds		
	Principal Payments	Interest Payments	Total Debt Service on the Series 2009A Bonds
2010	\$3,005,000	\$1,913,973	\$4,918,973
2011	3,005,000	1,991,513	4,996,513
2012	2,995,000	1,901,363	4,896,363
2013	2,985,000	1,781,562	4,766,562
2014	2,970,000	1,662,163	4,632,163
2015	2,965,000	1,558,213	4,523,213
2016	2,960,000	1,409,963	4,369,963
2017	2,945,000	1,291,563	4,236,563
2018	2,940,000	1,166,400	4,106,400
2019	2,895,000	1,034,100	3,929,100
2020	2,840,000	896,587	3,736,587
2021	2,715,000	754,587	3,469,587
2022	1,860,000	618,837	2,478,837
2023	1,145,000	521,188	1,666,188
2024	720,000	460,502	1,180,502
2025	595,000	421,803	1,016,803
2026	590,000	389,077	979,077
2027	590,000	356,038	946,038
2028	590,000	322,850	912,850
2029	590,000	288,925	878,925
2030	595,000	255,000	850,000
2031	555,000	219,300	774,300
2032	555,000	186,000	741,000
2033	470,000	152,700	622,700
2034	465,000	124,500	589,500
2035	405,000	96,600	501,600
2036	400,000	72,300	472,300
2037	405,000	48,300	453,300
2038	400,000	24,000	424,000

## PART 4 – NYSARC

### Purpose and Operations

NYSARC (formerly New York State Association for Retarded Children, Inc.), is a leading advocate for the rights of New York State residents who have intellectual and

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

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

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

## **Organization**

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

NYSARC. Regulatory requirements relating to reimbursement for costs of services funded with New York State and federal money, and requirements of lenders that provide financing for certain facilities, have led to the use of these separate property holding corporations.

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

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

## **Governance**

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

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

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

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

The board of governors meets at least twice a year. Recognizing that such a large board cannot meet regularly, the by-laws of NYSARC establish an executive committee. The executive committee of the board of governors consists of all of its elected officers and one other member

of the board of governors from each of NYSARC’s four geographic regions (central, southeast, northeast and western). The executive committee, which currently has 14 members, possesses the power and authority of the board of governors during intervals between meetings of the board.

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

The current members of the executive committee are:

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

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

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

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

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

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

## **Program Descriptions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Family Support and Outreach.** Family support and outreach services are provided in a variety of ways through NYSARC’s local chapters. Family support services provide support and training to families of individuals who are intellectually and/or developmentally disabled. These services help to strengthen the family’s ability to continue to provide care in their home while enhancing the overall functional development of the individual and coping capacity of the family.

Parent and sibling support groups, in-home respite, counseling, crisis stabilization, information and referral, recreation, guardianship and service coordination/case management are only a few of the services provided.

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

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

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

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

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

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

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

## **Revenues**

Approximately 97% of NYSARC's 2008 revenues were attributable to programs in which the services described above were provided. They were received under contract and reimbursement arrangements from the following New York State agencies, which accounted for the percentage of those revenues indicated parenthetically: 1) OMRDD (83%), 2) New York State Department of Education (7%), 3) New York State Department of Health (6%), and 4) New York State Office of Mental Health and New York State Office of Alcohol and Substance Abuse Services (0.6%). The remaining 3.4% of all revenues are attributable to

contributions, fundraising and interest earnings. All but two of the Projects to be funded through this financing are supported by funding from OMRDD, the largest funding source for NYSARC.

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

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

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

### **New York State Office of Mental Retardation and Developmental Disabilities**

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

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

The total “Aid to Localities” (that portion of the State budget that funds voluntary services) for FY 2008-2009 was \$2,234,383,899 and for FY 2009-2010 is \$2,236,062,000, a

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

### **Prior Property Approval Process**

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

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

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

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

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

Approximately \$29,415,100 in aggregate principal amount of the Series 2009A Bonds is allocable to the financing or refinancing of Direct Service Facilities. The terms of the loans being made to NYSARC with proceeds of the Series 2009A Bonds to finance or refinance those facilities, to which allocable portions of the Series 2009A Bonds correspond as to principal amount and amortization, do not exceed the commitment period authorized by the PPA and are generally consistent with the commitment period and capital expense allowance established pursuant to each PPA. The terms of the remaining loans to NYSARC made with proceeds of the Series 2009A Bonds for other purposes, and the principal amount and amortization provisions of the related Series 2009A Bonds, have been established based on estimated useful lives of those facilities, as determined by NYSARC.

### **Employee Matters**

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

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

## **Pending Litigation and Regulatory Matters**

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

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

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

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

## Financial Matters

### *Financial Reporting*

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

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

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

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

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

### Summary Financial Information

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

#### Combined Balance Sheet (unaudited)

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

#### Combined Statement of Activities (unaudited)

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

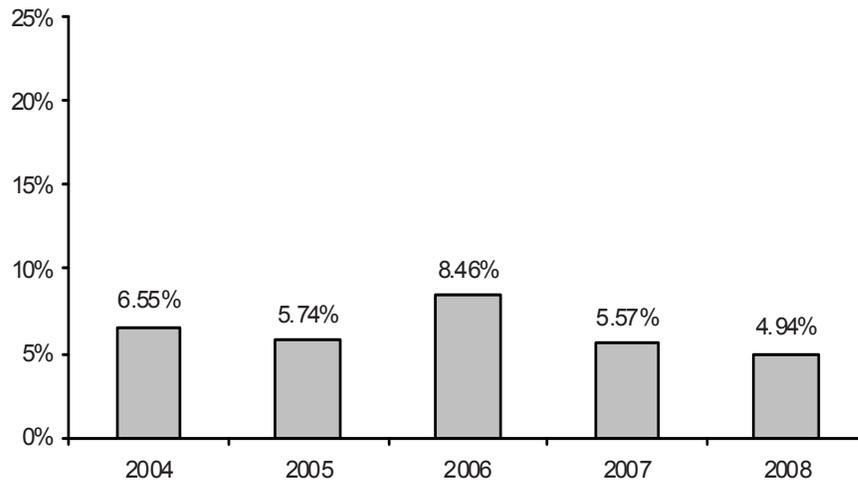
### Certain Financial Data

The pro forma information set forth in the tables below is based on the assumption that (i) the Series 2009A Bonds are issued in the aggregate principal amount set forth on the cover of

this Official Statement, and the Series 2009A Bonds bear interest at the rates, mature on the dates and in the principal amounts, and are subject to mandatory sinking fund redemption in the amounts and at the times set forth in this Official Statement, and (ii) the interest rate on the reoffered Series 2007B Bonds has been converted to the Fixed Rate Mode, and the reoffered Series 2007B Bonds bear interest at the rates, mature on the dates and in the principal amounts and are subject to mandatory sinking fund redemption in the amounts and at the times set forth in the Reoffering Statement.

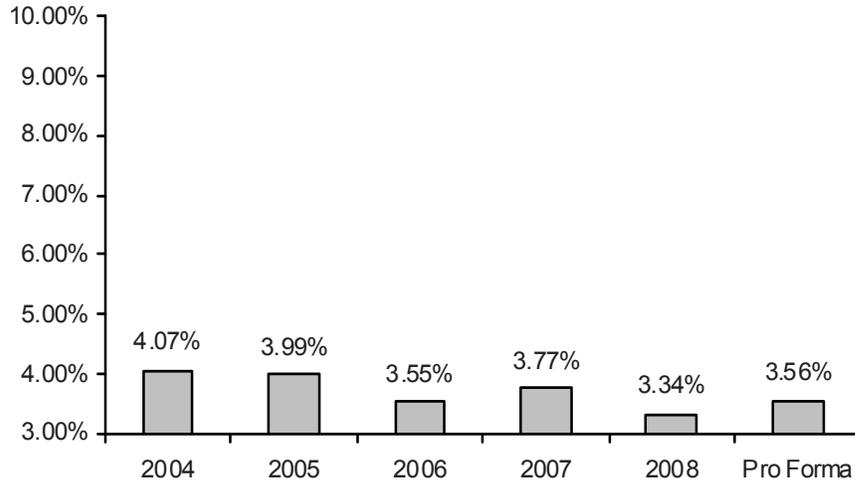
### **Five-Year Annual Total Revenue Growth Rate**

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



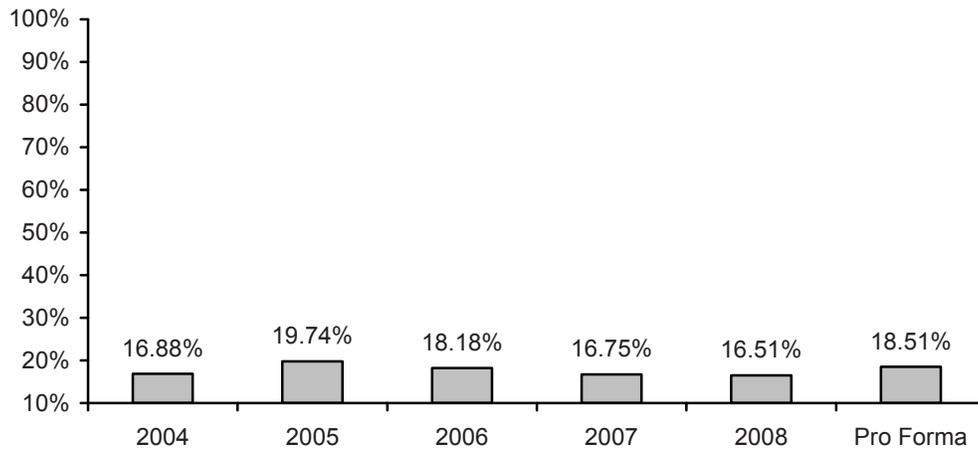
### Long-Term Debt Service as a Percentage of Total Revenue

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



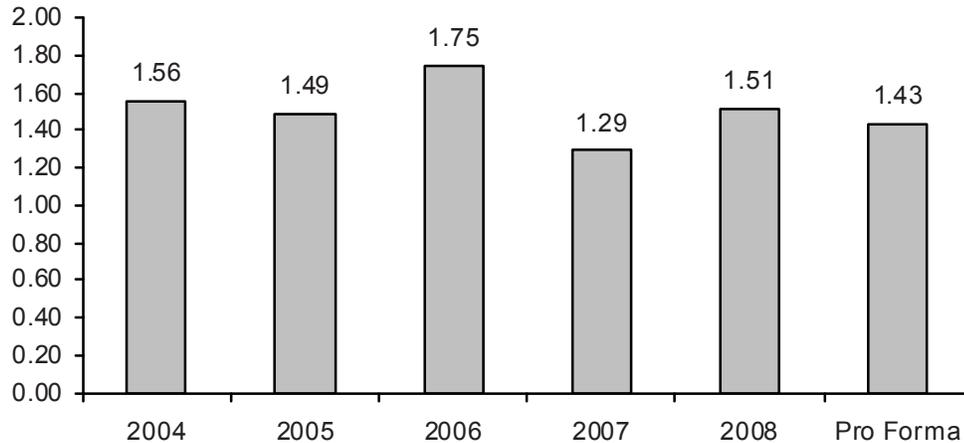
### Long Term Debt as a Percentage of Total Revenue

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



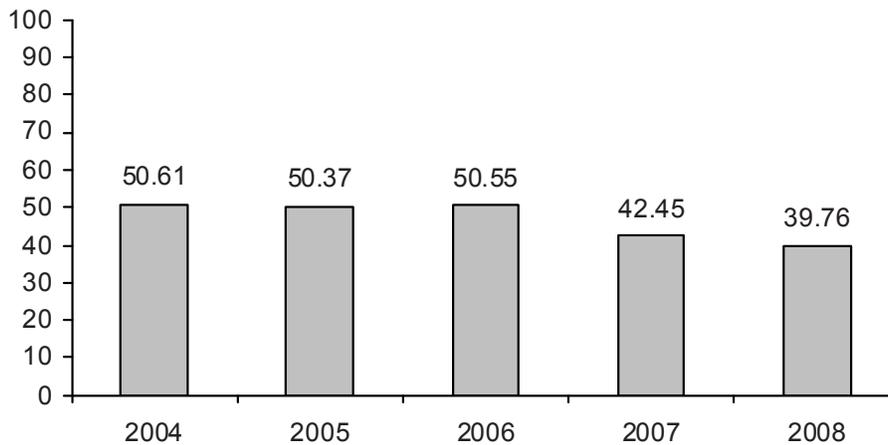
### **Debt Service Coverage Ratios**

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



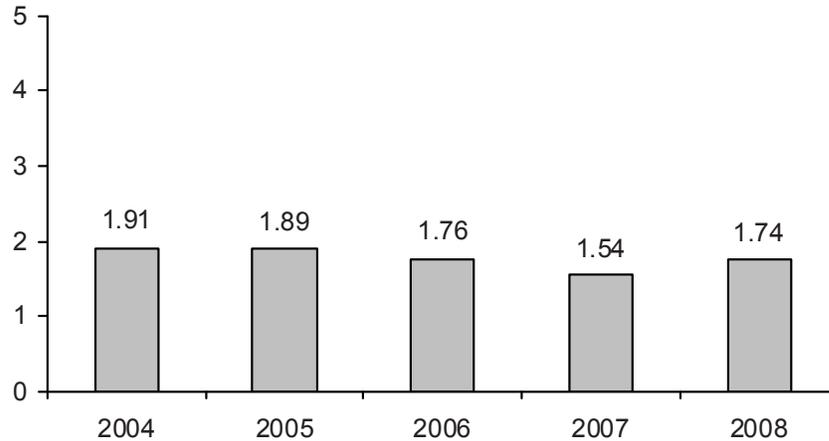
### **Primary Reserve Days available for Operations**

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



### Five-Year Current Ratio

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



### **Management's Discussion**

“Total Revenue” (as set forth above under “Summary Financial Information”) continued to increase in 2008, a long-term annual trend that has continued for more than 30 years, although the rate of increase was less than in recent prior years. In addition to the economic slowdown faced by the nation and New York State, Fiscal Year 2007 was the first in several years without a Medicaid retroactive trend adjustment. Costs of employee health plans increased more rapidly than trend or special HCE funding could absorb. The entry into operation of new residential and day services projects also resulted in higher costs than experienced with fully implemented programs. Importantly, there has been no regulatory change to the system of retroactive rate adjustments that allow us to recover program deficits; the several local chapters that sustained large deficits are eligible for rate adjustments that will be recovered in two or three years. The preliminary, unaudited financial results for 2008 exhibit continued revenue growth with a small increase in net assets, primarily as a result of expense controls implemented in response to the projected New York State budget deficit. In response to New York State's projected budget deficit, OMRDD suspended the initiation of almost all out-of-home residential program expansions during 2008. Many sites already in development are however being allowed to continue and will open during the remainder of 2009, and throughout 2010 and 2011.

The character of most of the Projects as Direct Service Facilities, for which a PPA has been obtained and OMRDD will have committed to reimburse NYSARC for capital costs, should provide additional assurance, subject to State budget constraints, that funds will be made available to pay Debt Service Charges on the Series 2009A Bonds. Most of the projects undertaken by NYSARC are residential and have a brief amortization period that corresponds closely to the reimbursement period established by OMRDD. *See* “NYSARC – Revenues – Prior Property Approval Process” above.

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

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

#### **PART 5 - PARTICIPATING CHAPTER AND PROJECT INFORMATION**

The proceeds of the Series 2009A Bonds that will be loaned to NYSARC pursuant to the Loan Agreement are expected to be used to finance costs of the Projects, and to refinance certain existing debt of NYSARC and several of its local chapters that had financed prior costs of a Project. The "Projects" consist of individual capital projects for the local chapters identified below and include the acquisition, construction, renovation, rehabilitation, repair, purchase, equipping, and otherwise providing of community residence facilities to house persons who have intellectual and developmental disabilities and facilities for the training and support of such individuals throughout the State. *See* "PART 6 - Estimated Sources and Uses of Funds."

The local chapters that are expected to receive a portion of the proceeds of the Series 2009A Bonds are as follows (each, a "Participating Chapter"):

**PARTICIPATING NYSARC, INC. LOCAL CHAPTERS**

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

<b>Chapter</b>	<b>2007 Revenue</b>	<b>2008 Preliminary Revenue</b>	<b>2009 Budgeted Revenue</b>	<b>2008 Total Staff</b>	<b>2008 Total Served</b>
Chemung	\$15,623,342	\$ 17,690,464	\$ 17,869,415	428	706
Franklin-Hamilton	13,620,262	15,277,341	14,157,081	370	286
Genesee	11,088,314	10,882,016	10,377,000	270	335
Herkimer	16,938,462	19,726,065	21,698,672	401	564
Monroe	35,853,381	36,297,190	37,781,758	823	3,600
Onondaga	23,432,509	25,137,263	25,146,784	525	921
Ontario	20,134,260	21,965,914	21,890,328	488	852
Orleans	11,128,651	11,748,610	12,353,201	319	779
Otsego	17,689,186	19,487,718	19,036,002	297	448
Putnam	22,725,920	23,725,096	24,818,232	451	550
Saratoga	22,552,467	24,336,776	25,888,176	512	775
Schoharie	11,851,629	12,640,853	11,732,772	304	298
Seneca-Cayuga	25,449,570	27,595,142	27,185,100	690	1,073
Steuben	17,066,439	17,655,111	17,817,649	381	1,556
Ulster-Greene	41,485,702	46,347,869	43,411,248	838	1,031
Warren-Washington	13,972,322	13,717,094	13,637,700	285	300
Wayne	24,240,294	20,568,010	20,819,748	642	1,700
Westchester	49,314,164	54,169,844	53,533,596	708	1,648
<b>TOTAL</b>	<b>\$394,166,874</b>	<b>\$418,968,376</b>	<b>\$419,154,461</b>	<b>8,732</b>	<b>17,422</b>

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

“2008 Total Staff” is based on local chapter reports of the 2008 unduplicated count of full-time employees, part-time employees, including relief staff, and contracted employees at the time of the report during 2008. “2008 Total Served” is the unduplicated count of persons served with a developmental disability, with a disability other than a developmental disability, and

without disability, who are largely served in Article 28 clinics and integrated school settings at the time the chapter reported the data during 2008.

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

**PART 6 - ESTIMATED SOURCES AND USES OF FUNDS**

Estimated sources and uses of funds for the Series 2009A Bonds are as follows:

**Sources of Funds**

Principal Amount of Series 2009A Bonds.....	\$46,150,000
Reoffering Premium.....	41,273
Original Issue Discount.....	(53,547)
Equity Contribution .....	<u>76,174</u>
<b>Total Sources</b> .....	<b><u>\$46,213,900</u></b>

**Uses of Funds**

Costs of the Project .....	\$40,140,541
Deposit to the Debt Service Reserve Fund.....	4,615,000
Issuance Expenses .....	1,015,159
Underwriter’s Discount .....	<u>443,200</u>
<b>Total Uses</b> .....	<b><u>\$46,213,900</u></b>

**PART 7 - THE AUTHORITY**

**Background, Purposes and Powers**

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

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

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

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

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

At June 30, 2009, the Authority had approximately \$38.6 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the

Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

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

<b><u>Public Programs</u></b>	<b><u>Bonds Issued</u></b>	<b><u>Bonds Outstanding</u></b>	<b><u>Notes Outstanding</u></b>	<b><u>Bonds and Notes Outstanding</u></b>
State University of New York Dormitory Facilities.....	\$ 2,250,196,000	\$ 974,760,000	\$ 0	\$ 974,760,000
State University of New York Educational and Athletic Facilities.....	12,287,697,999	5,146,033,149	0	5,146,033,149
Upstate Community Colleges of the State University of New York.....	1,431,000,000	604,840,000	0	604,840,000
Senior Colleges of the City University of New York.....	9,663,821,762	2,934,864,213	0	2,934,864,213
Community Colleges of the City University of New York.....	2,364,178,350	508,140,787	0	508,140,787
BOCES and School Districts.....	2,419,101,208	1,894,490,000	0	1,894,490,000
Judicial Facilities.....	2,161,277,717	731,557,717	0	731,557,717
New York State Departments of Health and Education and Other.....	5,198,240,000	3,538,100,000	0	3,538,100,000
Mental Health Services Facilities.....	6,811,595,000	3,676,845,000	0	3,676,845,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	<u>985,555,000</u>	<u>781,415,000</u>	<u>0</u>	<u>781,415,000</u>
Totals Public Programs.....	<u>\$ 46,346,138,036</u>	<u>\$ 20,791,045,866</u>	<u>\$ 0</u>	<u>\$ 20,791,045,866</u>

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

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

At June 30, 2009, the Agency had approximately \$361.5 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

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

<b>Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
<b>Non-Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 3,255,000
Insured Mortgage Programs .....	6,625,079,927	350,549,720
Revenue Bonds, Secured Loan and Other Programs.....	<u>2,414,240,000</u>	<u>7,670,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 361,474,720</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 361,474,720</u>

### **Governance**

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a

representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2010.

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

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

Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

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

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

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority by the Governor on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expired on March 31, 2009 and by law he continues to serve until a successor shall be chosen and qualified.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the

Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. He was an Associate

Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

CAROLE F. HUXLEY, *Interim Commissioner of Education of the State of New York, Albany; ex-officio.*

Carole Huxley was appointed Interim Education Commissioner on July 1, 2009. Ms. Huxley retired in November 2006 after serving for 24 years as Deputy Commissioner for Cultural Education in the New York State Education Department where she was responsible for the New York State Archives, State Library, State Museum and aid to libraries, records repositories and public broadcasting statewide. She came to New York from the National Endowment for Humanities in Washington, DC where she was Director of the Division of Special Programs. Prior to this, Ms. Huxley was with the American Field Service (AFS International) in New York City. She began her career in education teaching high school English in Woodbury, Connecticut. Ms. Huxley holds a Masters of Arts in Teaching from Harvard University and a Bachelor of Arts degree from Mount Holyoke College.

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

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

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

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York

State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

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

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

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

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

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

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

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

### **Claims and Litigation**

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

## **Other Matters**

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

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

### *Legislation*

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

### *Environmental Quality Review*

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

### *Independent Auditors*

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

## **PART 8 - LEGALITY OF THE SERIES 2009A BONDS FOR INVESTMENT AND DEPOSIT**

Under New York State law, the Series 2009A Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may property and legally invest funds in their control.

The Series 2009A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

## **PART 9 - NEGOTIABLE INSTRUMENTS**

The Series 2009A Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2009A Resolution and the Series 2009A Bonds.

## **PART 10 - TAX MATTERS**

In the opinion of Bond Counsel, under existing law and assuming compliance by the Authority and NYSARC with certain covenants and the accuracy and completeness of certain representations of the Authority and NYSARC, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations.

The Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), imposes various requirements that must be met in order that interest on the Series 2009A Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2009A Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Series 2009A Bonds to be includable in gross income for purposes of federal income tax retroactive to the date of original execution and delivery of the Series 2009A Bonds, regardless of the date on which the event causing such inclusion occurs. The Authority and NYSARC have covenanted in the Resolution, the Loan Agreement and the Tax Compliance Certificate to comply with the requirements of the Code and have made representations in such documents addressing various matters relating to the requirements of the Code. The opinion of Bond Counsel assumes continuing compliance with such covenants as well as the accuracy of such representations made by the Authority and NYSARC.

Certain requirements and procedures contained or referred to in the Resolution, the Loan Agreement, the Tax Compliance Certificate and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. The opinion of Hiscock & Barclay, LLP states that such firm, as Bond Counsel, expresses no opinion as to any Series 2009A Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of Bond Counsel other than Hiscock & Barclay, LLP.

The Series 2009A Bonds maturing July 1, 2014, July 1, 2016 through July 1, 2029, inclusive, and July 1, 2038 (the “Discount Bonds”) are being sold to the initial purchasers at prices less than the stated principal amounts thereof. The difference between the stated principal amount of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity were sold constitutes original issue discount that is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2009A Bonds. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Discount Bond and

the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount.

The Series 2009A Bonds maturing July 1, 2010 through July 1, 2013, inclusive, July 1, 2015 and July 1, 2032 (the “Premium Bonds”) are being sold to the initial purchasers at prices greater than the stated principal amount thereof. The Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner’s original cost of acquiring Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that an owner of Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Prospective purchasers of the Series 2009A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2009A Bonds may have collateral federal income tax consequences for certain taxpayers, including financial corporations, insurance companies, Subchapter S corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2009A Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. Interest on the Series 2009A Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owners taxpayer identification number) in the manner required by the Internal Revenue Service, or (ii) has been identified by the Internal Revenue Service as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the Internal Revenue Service as federal income tax withheld on behalf of the registered owner of the Series 2009A Bonds and would be allowed as a refund or credit against such owner’s federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2009A Bonds, if other than the registered owner).

In the opinion of Bond Counsel, interest on the Series 2009A Bonds is exempt, under existing statutes, from personal income taxes of the State of New York and its political subdivisions, as applicable. *See* “Appendix E - Form of Approving Opinion of Bond Counsel.”

Bond Counsel’s engagement with respect to the Series 2009A Bonds ends with the issuance of the Series 2009A Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Bondholders regarding the tax-exempt status of the Series 2009A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Bondholders, would

have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2009A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2009A Bonds, and may cause Authority, NYSARC or the Bondholders to incur significant expense.

#### **PART 11 - STATE NOT LIABLE ON THE SERIES 2009A BONDS**

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes or bonds are not payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2009A Bonds are not a debt of the State and that the State is not liable on them.

#### **PART 12 - COVENANT BY THE STATE**

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds.

#### **PART 13 - LEGAL MATTERS**

Certain legal matters incidental to the authorization and issuance of the Series 2009A Bonds by the Authority are subject to the approval of Hiscock & Barclay, LLP, Albany, New York, Bond Counsel, whose approving opinion will be delivered with the Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for NYSARC by its counsel, Bryan Cave LLP, New York, New York, and for the Underwriter by its counsel, Squire, Sanders & Dempsey L.L.P., Cleveland, Ohio.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2009A Bonds or questioning or affecting the validity of the Series 2009A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Resolution, the Series 2009 Resolution and the Loan Agreement.

## PART 14 - CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”), NYSARC has undertaken in a written agreement for the benefit of the Bondholders to provide to Digital Assurance Certification LLC (“DAC”), on behalf of the Authority as the Authority’s disclosure dissemination agent, on or before 150 days after the end of each of its Fiscal Years, commencing December 31, 2009 for filing by DAC with each Nationally Recognized Municipal Securities Information Repository (each a “Repository”) and if and when one is established, the New York State Information Depository (the “State Information Depository”), on an annual basis, operating data and financial information of the type hereinafter described which is included in “PART 4 – “NYSARC” and “PART 5 - PARTICIPATING CHAPTER AND PROJECT INFORMATION” of this Official Statement (the “Annual Information”), together with, if prepared, NYSARC’s annual financial statements prepared in accordance with U.S. generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available. Audited financial statements of NYSARC have not previously been prepared and are not expected to be prepared. Rather, NYSARC expects to continue to prepare and provide combined financial statement compilations of the type included in Appendix B-1 to this Official Statement based on the financial statements of the local chapters and their consolidated affiliates. Those compilations will be filed as part of the Annual Information. As of July 1, 2009, the only Repository designated by the Securities and Exchange Commission is the Municipal Securities Rulemaking Board (“MSRB”).

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from NYSARC, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for NYSARC and the Authority, to file such information and financial statements, as promptly as practicable, but no later than three Business Days after receipt of the information by DAC from NYSARC, with the MSRB and the State Information Depository. NYSARC has undertaken in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC should they have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Authority, DAC will file the Notices with the MSRB and the State Information Depository, in a timely manner. With respect to the Series 2009A Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent NYSARC has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements. Notices or any other information, disclosures or notices provided to it by NYSARC, the Trustee or the Authority and DAC shall not be deemed to be acting in any fiduciary capacity for the Authority, NYSARC,

the Holders of the Series 2009A Bonds or any other party. DAC has no responsibility for the Authority's failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine, or liability for failing to determine, whether NYSARC, the Trustee or the Authority has complied with the Continuing Disclosure Agreement, and DAC may conclusively rely upon certifications of NYSARC, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of operating data and financial information of the type included in this Official Statement in "PART 4 - NYSARC" under the following headings (unless and except to the extent that such information is included in audited financial statements prepared and filed by NYSARC at or before the time that any other Annual Information is required to be provided): (i) "Revenues," (ii) "New York State Office of Mental Retardation and Developmental Disabilities," (iii) "Financial Matters," (iv) "Management's Discussion," and (v) the table set forth under "PART 5 - PARTICIPATING CHAPTER AND PROJECT INFORMATION."

The Notices include notices of any of the following events (each, a "Notice Event") with respect to the Series 2009A Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009A Bonds; (7) modifications to the rights of holders of the Series 2009A Bonds; (8) bond calls (other than pursuant to mandatory sinking fund redemption requirements); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2009A Bonds; and (11) rating changes. In addition, DAC will undertake, for the benefit of the Holders of the Series 2009A Bonds, to provide to the MSRB and the State Information Depository in a timely manner, notice of any failure by NYSARC to provide the Annual Information and audited financial statements by the date required in NYSARC's undertaking described above.

The sole and exclusive remedy for breach or default under the agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, NYSARC and/or the Authority, and no person, including any Holder of the Series 2009A Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the agreement shall not constitute an Event of Default under the Resolution, the Series Resolution or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an

undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the agreement do not anticipate that it often will be necessary to amend the informational undertaking. The agreement, however, may be amended or modified without Bondholders consent under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2009A Bonds will be on file at the principal office of the Authority.

## **PART 15 - UNDERWRITING**

KeyBanc Capital Markets Inc., Grigsby & Associates, Inc. and Raymond James & Associates, Inc. (collectively, the “Underwriter”) has agreed, subject to certain conditions, to purchase the Series 2009A Bonds from the Authority and to make a public offering of the Series 2009A Bonds at prices that are not in excess of the public offering prices stated on the inside front cover of this Official Statement. The agreed purchase price of the Series 2009A Bonds is \$45,694,525.40. The Underwriter will be obligated to purchase all of the Series 2009A Bonds if any Series 2009A Bonds are purchased.

The Series 2009A Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

## **PART 16 - RATING**

The Series 2009A Bonds have been rated “A” by Standard & Poor’s. The rating on the Series 2009A Bonds is based upon the obligation of NYSARC under the Loan Agreement to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by NYSARC to the Authority under the Loan Agreement. An explanation of the significance of the rating should be obtained from Standard & Poor’s. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by Standard & Poor’s if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2009A Bonds.

## **PART 17 - MISCELLANEOUS**

Reference in this Official Statement to the Act, the Resolution, the Series 2009A Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2009A Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2009A Resolution and the Loan Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2009A Bonds are fully set forth in the Resolution and the Series 2009A Resolution. Neither any advertisement of the Series 2009A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2009A Bonds.

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

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

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

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution," and "Appendix E - Approving Opinion of Bond Counsel" have been prepared by Hiscock & Barclay, LLP, Albany, New York, Bond Counsel.

"Appendix B - NYSARC, Inc. Combined Financial Statements as of December 31, 2007 Together with Accountants' Compilation Report (Unaudited)" contains NYSARC's unaudited combined financial statements and the compilation report of NYSARC's independent auditors, Bonadio & Co., LLP, concerning such financial statements.

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

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

NYSARC has reviewed the parts of this Official Statement describing NYSARC, the Participating Chapters, the Projects, the Estimated Sources and Uses of Funds and Appendices B, B-1 and B-2. It is a condition to the sale and delivery of the Series 2009A Bonds that NYSARC certify as of the dates of sale and delivery of the Series 2009A Bonds that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

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

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

**CERTAIN DEFINITIONS**

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## CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

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

person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

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

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

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

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

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

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

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

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

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

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

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

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

**Cost or Costs of the Project** means when used in relation to a Project the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessarily or appropriately incurred in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for

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

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

- (i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;
- (ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;
- (iii) the Government National Mortgage Association or any successor thereto;
- (iv) the Federal National Mortgage Association or any successor thereto;
- (v) a Federal Home Loan Bank; or
- (vi) any other federal agency or instrumentality approved by the Authority.

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

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

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

**Debt Service Reserve Fund Requirement** means, unless otherwise defined in a Series Resolution or Bond Series Certificate, as of any particular date of computation, which date of computation shall be subsequent to July 1 of each calendar year, with respect to Bonds of a Series, an amount equal to the lesser of:

(i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on Outstanding Bonds of such Series payable during such calendar year, and the principal and Sinking Fund Installments of such Outstanding Bonds payable on July 1 of such calendar year, excluding interest accruing on the Bonds of a Series from the dated date of any such Bonds to the January 1 or July 1 immediately preceding the first interest payment date;

(ii) an amount equal to 10% of the net proceeds of the sale of Bonds of such Series, unless otherwise provided in a Series Resolution;

(iii) 125% of the average of the principal, whether at maturity or mandatory redemption, and interest becoming due in any one calendar year on the Outstanding Bonds of such Series; and

(iv) such lesser amount, if any, as shall be established by the Applicable Series Resolution.

For purposes of this definition:

(a) the principal amount of an Outstanding Option Bond will be included only in the year in which it is stated to mature;

(b) it will be assumed that a Variable Interest Rate Bond bears interest at an assumed interest rate equal to the most recent Revenue Bond Index published by *The Bond Buyer* prior to the sale of the Variable Rate Bonds plus .50%; and

(c) if a Variable Interest Rate Bond is to be converted to a Fixed Rate Bond for the remainder of the term thereof and as a result of such conversion a deficiency will be created in the Debt Service Reserve Fund, the Debt Service Reserve Fund Requirement will be calculated so as to exclude the amount of such deficiency and the Debt Service Reserve Fund Requirement will be increased in each of the 5 years after the date of such conversion by an amount equal to 20% of the aforesaid deficiency.

**Defeasance Security** means:

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

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

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

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

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

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

**Exempt Obligation** means:

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

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

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

**Federal Agency Obligation** means:

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

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

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

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

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

**Government Obligation** means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (v) a Federal Home Loan Bank; or
- (vi) any other federal agency or instrumentality approved by the Authority.

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

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

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

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

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

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

**OMRDD** means the New York State Office of Mental Retardation and Developmental Disabilities.

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

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

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

- (i) any Bond canceled by the Trustee at or before such date;
- (i) any Bond deemed to have been paid in accordance with the terms of the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and
- (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bond on the applicable adjustment or conversion date, if interest thereon shall have been paid through

such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bond.

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

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

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

**Permitted Collateral** means:

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

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

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

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

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

**Permitted Investments** means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

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

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

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

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

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

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

**Pledged Revenues** means all Public Funds, all moneys apportioned or otherwise payable to NYSARC, for the sole benefit of the State Office or on behalf of any of the Participating Chapters, by the federal government, receipts, revenues, income, gifts, grants, assistance, bequests and other moneys received by NYSARC, for the sole benefit of the State Office or on behalf of a Participating Chapter, including all rights to receive the same whether in the form of accounts receivable, lease payments or other contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence; excluding, however, gifts, grants and bequests received by NYSARC for the sole benefit of the State Office or on behalf of any of the Participating Chapters that are subject to restrictions upon the use thereof that are inconsistent with the use thereof for the purposes contemplated by the Loan Agreement and by the Resolution and the Series 2009 Resolution, and the income thereon to the extent that said income is so restricted as to use.

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

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

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

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

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

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

any Rating Service or credit criteria of an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

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

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

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

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

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

**Record Date** means, with respect to the Series 2009A Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Interest Rate Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

**State** means the State of New York.

**State Office** means the corporate administrative body of NYSARC that provides oversight of the Participating Chapters and other chapters as such term is referred to in the “NYSARC, Inc. State Office, Chapters and their affiliates Financial Report dated December 31, 2007” prepared by NYSARC’s certified public accountants and consultants.

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

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

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

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

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

- (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times;
- (ii) a determination of the lowest interest rate as would enable the Remarketing Agent, under prevailing financial market conditions for obligations of the same general nature of the Bonds in question and that are comparable to the Bonds in question in terms of credit and maturity or tender dates, to remarket such Bonds at a price of par, plus accrued interest, if any; or
- (iii) a stated interest rate that may be changed from time to time as provided in such Series Resolution or Bond Series Certificate;

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

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

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

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**NYSARC, INC. STATE OFFICE, CHAPTERS  
AND THEIR AFFILIATES**

**Financial Statements as of  
December 31, 2007  
Together with  
Accountants' Compilation Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

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**ACCOUNTANTS' COMPILATION REPORT**

January 19, 2009

To the Board of Governors of  
NYSARC, Inc.:

We have compiled the accompanying combined balance sheet of NYSARC, Inc. (State Office, Chapters and their affiliates) as of December 31, 2007, and the related combined statements of activities and change in net assets and cash flows for the year then ended and the accompanying supplementary information contained in Exhibits I, II and III, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary exhibits information that is the representation of management. We have not audited or reviewed the accompanying combined financial statements and supplementary exhibits and accordingly, do not express an opinion or any other form of assurance on them.

*Bonadio & Co., LLP*

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ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINED BALANCE SHEET**

**DECEMBER 31, 2007**

(See Accountants' Compilation Report)

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash and equivalents	\$ 75,933,207
Investments	99,052,635
Restricted deposits and funded reserves	232,413
Government receivables, net	256,275,570
Other receivables, net	21,181,755
Inventories	14,641,717
Prepaid expenses and other assets	13,936,448
Deposits	869,426
	<u>482,123,171</u>

Total current assets

**PROPERTY, PLANT AND EQUIPMENT:**

Land	44,652,682
Buildings and leasehold improvements	593,760,117
Furniture, fixtures, and equipment	153,226,934
Vehicles	71,653,405
Construction-in-progress	38,434,482
	<u>901,727,620</u>

Less: Accumulated depreciation

(456,302,346)

Total property, plant and equipment

445,425,274

**OTHER ASSETS:**

Restricted deposits and funded reserves	25,357,260
Deferred charges	7,613,542
Participant funds and other assets	12,667,302
Financing fees, net	3,343,109
Net investments in affiliates	7,281,294
	<u>56,262,507</u>

Total other assets

56,262,507

\$ 983,810,952

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Current installments of long-term debt	\$ 39,870,557
Notes payable	50,651,840
Accounts payable	61,341,613
Accrued expenses and taxes	115,442,469
Current portion of due to governmental agencies	22,336,146
Current portion of deferred revenue and refundable advances	6,541,260
Other current liabilities	16,171,995
	<u>312,355,880</u>

Total current liabilities

312,355,880

**LONG-TERM DEBT, net of current portion**

261,544,760

**OTHER LIABILITIES:**

Due to governmental agencies, net of current portion	11,803,764
Deferred revenue and refundable advances, net of current portion	938,955
Participant funds and other noncurrent liabilities	13,990,578
	<u>26,733,297</u>

Total other liabilities

26,733,297

Total liabilities

600,633,937

**NET ASSETS:**

Unrestricted	345,730,034
Temporarily restricted	35,262,379
Permanently restricted	2,184,602
	<u>383,177,015</u>

Total net assets

383,177,015

\$ 983,810,952

The accompanying notes are an integral part of these statements.

# NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

## COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2007

(See Accountants' Compilation Report)

### UNRESTRICTED NET ASSETS:

Revenue and support -	
Program revenue	\$ 1,519,830,995
Non-program revenue	30,250,044
Fundraising	8,485,119
Other support	353,567
Capital additions revenue	1,170,391
Net assets released from restrictions	<u>1,355,836</u>
 Total revenue and support	 <u>1,561,445,952</u>

Expenses -	
Program services	1,411,908,422
Management and general	129,287,782
Fundraising	5,699,897
Other operating expenses	<u>5,515,309</u>
 Total expenses	 <u>1,552,411,410</u>

Increase in unrestricted net assets 9,034,542

### TEMPORARILY RESTRICTED NET ASSETS:

Contributions, grants, etc.	1,263,360
Interest income	70,242
Other	410,990
Net assets released from restrictions	<u>(1,355,836)</u>
 Increase in temporarily restricted net assets	 <u>388,756</u>

### PERMANENTLY RESTRICTED NET ASSETS:

Contributions	266,902
Other	<u>(65,552)</u>
 Increase in permanently restricted net assets	 <u>201,350</u>

CHANGE IN NET ASSETS 9,624,648

NET ASSETS - beginning of year 373,552,367

NET ASSETS - end of year \$ 383,177,015

The accompanying notes are an integral part of these statements.

## NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

### COMBINED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007

(See Accountants' Compilation Report)

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 9,624,648
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation and amortization	47,726,137
Net unrealized and realized gain on investments	(2,018,831)
Gain on sales or dispositions of assets, net	(64,037)
Bad debt expense	1,793,149
Other	(11,082,526)
Changes in:	
Receivables	(38,867,353)
Inventories	(4,812,332)
Prepaid expenses and other assets	1,605,277
Deposits	(88,524)
Deferred charges	25,275
Accounts payable	18,194,261
Accrued expenses and taxes	12,419,601
Due to governmental agencies	(240,489)
Deferred revenue, refundable advances and other liabilities	<u>(2,602,452)</u>
Net cash flow from operating activities	<u>31,611,804</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Proceeds from the sale of property, plant and equipment	559,314
Expenditures for property, plant and equipment	(82,475,004)
Purchase of investments	(41,675,774)
Proceeds from sales of investments	41,893,820
Change in limited use reserves and deposits refunded	(359,042)
Other investing activities	<u>2,914,071</u>
Net cash flow from investing activities	<u>(79,142,615)</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	62,150,904
Repayment of long-term debt	(36,783,076)
Proceeds from notes payable	69,770,746
Repayment of notes payable	(56,255,220)
Change in deferred charges	(125,789)
Other financing activities	<u>2,365,635</u>
Net cash flow from financing activities	<u>41,123,200</u>
CHANGE IN CASH AND EQUIVALENTS	(6,407,611)
CASH AND EQUIVALENTS - beginning of year	<u>82,340,818</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 75,933,207</u>

The accompanying notes are an integral part of these statements.

# **NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

## **NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2007**

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### **1. THE ORGANIZATION**

NYSARC, Inc. (NYSARC) is a membership corporation composed of 49 Community Chapters and their affiliates and 6 Developmental Center Chapters (the Chapters) located throughout New York State. NYSARC is governed by a Board of Governors that consists of at least one Governor per Chapter to a maximum of six based on NYSARC membership in the Chapter. The Chapters are unincorporated divisions of NYSARC granted geographic jurisdiction and operating authority by the Board of Governors that provide assistance to persons with intellectual and other developmental disabilities through program services, education and guardianship. NYSARC also fosters research and helps individuals and organizations working with persons with intellectual and other developmental disabilities, while disseminating information to develop a better understanding of and opportunities for persons with intellectual and other developmental disabilities.

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

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

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

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Principles of Combination**

The combined financial statements include the separate financial statements of the State Office, Chapters and the Chapters' affiliates. The 6 Developmental Centers are not included because they do not provide program services. All intercompany accounts and transactions between the State Office and the Chapters and between the Chapters and their affiliates have been eliminated. Substantially all of the components of NYSARC maintain their books and records on a calendar year, except for the State Office whose year end is May 31 and the New York City Chapter and its affiliates whose year end is June 30. The State Office and the New York City Chapter and its affiliates have been included in the combined financial statements utilizing their financial statements for their respective fiscal years ended in 2007.

#### **Basis of Accounting**

The financial statements of NYSARC have been prepared in conformity with accounting principles generally accepted in the United States.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Reporting

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

- **Unrestricted**

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

- **Temporarily Restricted**

Temporarily restricted net assets include resources that have been donated to NYSARC subject to restrictions as defined by the donor. These assets are restricted for use in various programs as of December 31, 2007.

- **Permanently Restricted**

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

### Revenue Recognition

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

### Cash and Equivalents

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

### Government and Other Receivables

NYSARC provides services that are paid for by third-party payers. Accounts for which no payments have been received for several months are considered delinquent and the account is written-off when customary collection efforts are exhausted. NYSARC records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts at December 31, 2007 is approximately \$10,800,000 and is based on NYSARC's past experience and a periodic review of outstanding accounts.

### Investments

Substantially all investments are stated at fair value based upon quoted market prices.

NYSARC invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

### Inventories

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost if purchased or the fair market value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was approximately \$46,500,000 for the year ended December 31, 2007.

### **Financing Fees**

Financing fees consist of loan issuance costs associated with various mortgage closings that are being amortized on a straight-line basis over the terms of the related debt agreements. Amortization of financing fees was approximately \$1,300,000 for the year ended December 31, 2007.

### **Net Investments in Affiliates**

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

### **Fair Value of Financial Instruments**

NYSARC's financial instruments include cash, investments, and debt. NYSARC believes that the carrying amount of cash and investments approximates fair value, based on quoted market prices and that the carrying amount of debt approximates fair value based on current rates at which NYSARC could borrow funds with similar remaining maturities.

### **Taxes**

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

At June 30, 2007, an affiliate of the New York City Chapter had Federal and New York State net operating loss carryforwards from unrelated business activities of approximately \$922,000 that expire at various dates through 2027. A valuation allowance has been established to offset the potential tax benefit associated with the operating loss carryforwards and all other temporary differences, as it is uncertain if the future tax benefit will be realized.

### **Estimates**

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

## 3. AFFILIATED ORGANIZATIONS

NYSARC, through its Nassau County Chapter, is associated with Community Services for the Mentally Retarded, Inc. (CSMR); Mental Retardation Community Services of Nassau County, Inc. (MRCS); and Nassau County AHRC Foundation, Inc. Certain officers and board members of the Nassau County Chapter are also officers and board members of these organizations.

**3. AFFILIATED ORGANIZATIONS (Continued)**

Included in participant funds and other assets at December 31, 2007, are amounts due from Nassau County Chapter's affiliated organizations as follows:

Community Services for the Mentally Retarded, Inc.	\$ 790,000
Mental Retardation Community Services of Nassau County, Inc.	519,000
Nassau County AHRC Foundation, Inc.	<u>12,000</u>
	<u>\$ 1,321,000</u>

The Nassau County Chapter received management fees for administrative services from CSMR, MRCS, and Nassau County AHRC Foundation, Inc. of \$169,000 during the year ended December 31, 2007. Further, the Nassau County Chapter's programs utilize various facilities and residential sites owned by CSMR. For the year ended December 31, 2007, rent expense for facilities owned by CSMR approximated \$4,570,000.

**4. INVESTMENTS**

Investments consist of U.S. Government debt instruments, corporate debt and equity securities and certificates of deposit with a maturity greater than three months.

Investments consist of the following at December 31, 2007:

Cash and equivalents	\$ 17,376,933
Mutual funds	43,430,312
U.S. government obligations	13,834,558
Bonds	6,296,513
Stock	<u>19,989,319</u>
	100,927,635
Less: Restricted deposits	<u>(1,875,000)</u>
	<u>\$ 99,052,635</u>

Net investment income is included in non-program revenue in the accompanying combined statement of activities and change in net assets and consisted of the following for the year ended December 31, 2007:

Interest and dividends	\$ 5,525,418
Realized and unrealized gains, net	<u>2,018,831</u>
	<u>\$ 7,544,249</u>

Investment fees of approximately \$193,000 are recorded as an expense in the accompanying combined statement of activities and change in net assets.

## 5. FINANCING ARRANGEMENTS

### Long-Term Debt

Mortgages and other financing arrangements with state and local government agencies including, but not limited to, the Medical Care Facilities Finance Agency, Local Industrial Development Agencies, New York State Urban Development Corporation, and the New York State Dormitory Authority, payable in monthly and semi-annual installments, including interest from 0% to 8.67%, maturing at various dates through 2028, collateralized by specific real property, accounts receivable and revenues related to the real property. \$ 186,251,663

Mortgages due to United States Department of Housing and Urban Development, payable in monthly installments, including interest from 8.375% to 9.25%, maturing at various dates through 2032, collateralized by specific real property. 5,277,179

Mortgages due to various banks and other lending institutions, payable in monthly and semi-annual installments including interest from 0.5% to 7%, maturing at various dates through 2021, collateralized by specific real property. 81,840,605

Other term loans due to various banks and other lending institutions, payable in monthly installments, including interest from 0% to 10.63%, maturing at various dates through 2014, collateralized by equipment, vehicles and other specific assets. 28,045,870

\$ 301,415,317

Maturities of long-term debt are as follows:

2008	\$ 39,870,557
2009	30,976,494
2010	26,410,095
2011	21,802,459
2012	24,039,034
Thereafter	<u>158,316,678</u>
	<u>\$ 301,415,317</u>

### Notes Payable

NYSARC has agreements with various banks for lines-of-credit. Interest on the lines range from less than prime rate to prime plus 2.5%. The lines are secured by receivables and other assets. The total potential borrowing under these lines-of-credit is approximately \$163,400,000 of which approximately \$52,000,000 is outstanding at December 31, 2007.

In 2008, a line-of-credit balance of approximately \$3,600,000 was converted to installment notes payable and, accordingly, was classified as long-term debt at December 31, 2007.

**5. FINANCING ARRANGEMENTS (Continued)**

**Supplemental Cash Flow Information**

Interest paid during 2007 under the terms of all financing arrangements and interest expense for the year ended December 31, 2007 was approximately \$18,900,000.

**6. OPERATING LEASES**

NYSARC leases vehicles, equipment and facilities under noncancellable lease agreements. Rent expense under these leases was approximately \$28,700,000 during 2007. Future minimum rental payments under these lease agreements are as follows:

2008	\$ 22,868,839
2009	18,681,024
2010	15,262,968
2011	11,888,422
2012	9,663,771
Thereafter	<u>36,714,986</u>
	<u>\$ 115,080,010</u>

**7. RETIREMENT PLANS**

NYSARC has adopted numerous retirement plans covering their employees. These plans include defined contribution, defined benefit and tax deferred annuity plans. Total pension expense incurred by the State Office and the Chapters was approximately \$28,500,000 for the year ended December 31, 2007.

NYSARC allows its Chapters to maintain separate plans, and all plans are subject to annual entity wide discrimination testing pursuant to IRC 414(c). The plans met the non-discrimination tests for the last test that was conducted for the plan years ending in 2007.

**8. POST EMPLOYMENT BENEFIT PLANS**

NYSARC has several post employment benefit plans. The total post employment benefit expense incurred by the State Office and the Chapters was approximately \$666,400 for the year ended December 31, 2007.

**9. COMMITMENTS AND CONTINGENCIES**

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

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

## **9. COMMITMENTS AND CONTINGENCIES (Continued)**

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

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

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

Two Chapters of NYSARC have filed complaints seeking that they be allowed to separate from NYSARC. NYSARC is pursuing a summary dismissal of the claims. Management of the State Office believes that the complaints are without legal basis and will ultimately be resolved in NYSARC's favor.

Several Chapters are participants in the Dormitory Authority of the State of New York (DASNY) bond program. Bonds are secured by a pledge and assignment of DASNY's security interest in the pledged revenues of participating Chapters. Pledged revenues consist of all public funds, payable to NYSARC and its participating Chapters, by the federal government, receipts, revenues, income, gifts, grants, assistance, bequests, and other monies; whether now owned or to be received in the future while these bonds are outstanding; excluding any gifts, grants, or bequests received subject to restrictions upon the use that is inconsistent with the pledging of said amounts as collateral.

Furthermore, on behalf of the participating chapters, NYSARC has entered into an agreement with DASNY to permit DASNY to execute a certificate of Medicaid receipts intercept with OMRDD in the event of default on the bonds. As of December 31, 2007, DASNY has not issued such a Certificate to OMRDD.

## **10. SUBSEQUENT EVENT**

Subsequent to year-end there has been substantial volatility in the United States financial markets. Major investment indices have experienced significant declines. The S&P 500 index, a stock market index comprised on 500 of the largest United States corporations, has declined from 1,468 at December 31, 2007, to 850 at January 16, 2009, an approximate 42% decline. In addition, many fixed income securities have also experienced significant valuation pressure as a result of the turmoil in the credit markets. As a result, it is likely that the value of NYSARC's investments has declined since year-end.

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING BALANCE SHEETS**

**DECEMBER 31, 2007**

(See Accountants' Compilation Report)

	<u>Total</u>	<u>Eliminations</u>	<u>Office</u>	<u>Albany</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and equivalents	\$ 75,933,207	\$ -	\$ 135,940	\$ 2,074,260
Investments	99,052,635	-	1,522,624	2,669,523
Restricted deposits and funded reserves	232,413	-	-	-
Government receivables, net	256,275,570	-	-	3,374,266
Other receivables, net	21,181,755	-	300,769	-
Inventories	14,641,717	-	-	72,593
Due from Chapters	-	(127,298)	127,298	-
Prepaid expenses and other assets	13,936,448	-	1,296	142,359
Deposits	869,426	-	604,208	-
Total current assets	<u>482,123,171</u>	<u>(127,298)</u>	<u>2,692,135</u>	<u>8,333,001</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				
Land	44,652,682	-	39,169	614,055
Buildings and leasehold improvements	593,760,117	-	548,415	12,253,945
Furniture, fixtures and equipment	153,226,934	-	932,179	3,914,338
Vehicles	71,653,405	-	76,989	-
Construction-in-progress	38,434,482	-	-	-
	901,727,620	-	1,596,752	16,782,338
Less: Accumulated depreciation	<u>(456,302,346)</u>	<u>-</u>	<u>(1,353,867)</u>	<u>(10,026,311)</u>
Total property, plant and equipment	<u>445,425,274</u>	<u>-</u>	<u>242,885</u>	<u>6,756,027</u>
<b>OTHER ASSETS:</b>				
Restricted deposits and funded reserves	25,357,260	-	2,800	1,026,147
Deferred charges	7,613,542	-	-	224,103
Participant funds and other assets	12,667,302	-	-	262,647
Financing fees, net	3,343,109	-	-	-
Net investments in affiliates	7,281,294	-	-	-
Total other assets	<u>56,262,507</u>	<u>-</u>	<u>2,800</u>	<u>1,512,897</u>
	<u>\$ 983,810,952</u>	<u>\$ (127,298)</u>	<u>\$ 2,937,820</u>	<u>\$ 16,601,925</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Current installments of long-term debt	\$ 39,870,557	\$ -	\$ 7,441	\$ 875,024
Notes payable	50,651,840	-	-	-
Accounts payable	61,341,613	(127,298)	293,734	272,020
Accrued expenses and taxes	115,442,469	-	148,719	1,888,852
Current portion of due to governmental agencies	22,336,146	-	-	239,985
Current portion of deferred revenue and refundable advances	6,541,260	-	18,205	3,583
Other current liabilities	16,171,995	-	604,208	-
Total current liabilities	<u>312,355,880</u>	<u>(127,298)</u>	<u>1,072,307</u>	<u>3,279,464</u>
LONG-TERM DEBT, net of current portion	<u>261,544,760</u>	<u>-</u>	<u>20,251</u>	<u>4,202,736</u>
<b>OTHER LIABILITIES:</b>				
Due to governmental agencies, net of current portion	11,803,764	-	-	-
Deferred revenue and refundable advances, net of current portion	938,955	-	-	-
Participant funds and other noncurrent liabilities	13,990,578	-	-	262,647
Total other liabilities	<u>26,733,297</u>	<u>-</u>	<u>-</u>	<u>262,647</u>
Total liabilities	<u>600,633,937</u>	<u>(127,298)</u>	<u>1,092,558</u>	<u>7,744,847</u>
<b>NET ASSETS:</b>				
Unrestricted	345,730,034	-	1,821,292	8,825,108
Temporary restricted	35,262,379	-	23,970	5,824
Permanently restricted	2,184,602	-	-	26,146
Total net assets	<u>383,177,015</u>	<u>-</u>	<u>1,845,262</u>	<u>8,857,078</u>
	<u>\$ 983,810,952</u>	<u>\$ (127,298)</u>	<u>\$ 2,937,820</u>	<u>\$ 16,601,925</u>

<u>Allegany</u>	<u>Broome-Tioga</u>	<u>Cattaraugus</u>	<u>Chautauqua</u>	<u>Chemung</u>	<u>Chenango</u>	<u>Clinton</u>	<u>Columbia</u>
\$ 846,160	\$ 548,353	\$ 1,123,947	\$ 92,947	\$ 783,986	\$ 1,218,226	\$ 1,361,138	\$ 419,463
978,282	1,038,990	1,177,987	984,238	1,681,319	1,661,512	5,502,888	482,624
-	-	-	-	-	-	-	-
1,683,686	1,945,498	2,489,636	9,083,532	2,131,164	612,299	3,148,191	1,771,779
953,858	284,900	248,639	8,130,842	-	371,236	-	490,801
1,161,109	117,130	36,006	7,631,073	40,990	209,771	415,656	322,431
-	-	-	-	-	-	-	-
212,670	57,778	32,760	601,400	37,460	270	52,186	76,796
-	-	-	-	-	-	-	-
<u>5,835,765</u>	<u>3,992,649</u>	<u>5,108,975</u>	<u>26,524,032</u>	<u>4,674,919</u>	<u>4,073,314</u>	<u>10,480,059</u>	<u>3,563,894</u>
101,967	1,177,914	-	448,303	212,370	432,027	1,253,042	205,308
5,032,742	9,767,383	1,487,509	25,423,003	7,207,699	5,499,719	10,538,213	12,387,660
1,224,903	1,432,584	772,418	8,995,633	1,532,270	2,684,224	6,366,921	5,677,095
1,883,087	1,658,663	-	1,103,932	713,970	492,991	1,081,804	-
-	-	-	1,627,904	156,094	269,408	1,135,721	2,521,062
8,242,699	14,036,544	2,259,927	37,598,775	9,822,403	9,378,369	20,375,701	20,791,125
<u>(5,515,191)</u>	<u>(6,543,698)</u>	<u>(1,175,657)</u>	<u>(21,011,691)</u>	<u>(5,241,209)</u>	<u>(5,294,242)</u>	<u>(10,662,333)</u>	<u>(10,930,784)</u>
<u>2,727,508</u>	<u>7,492,846</u>	<u>1,084,270</u>	<u>16,587,084</u>	<u>4,581,194</u>	<u>4,084,127</u>	<u>9,713,368</u>	<u>9,860,341</u>
32,681	83,977	660,685	117,968	262,004	129,782	185,364	242,228
-	-	-	102,130	-	-	43,963	-
108,669	158,386	260,929	-	25,000	-	35,961	-
21,883	77,930	-	97,696	83,397	53,160	-	-
-	-	-	-	-	-	-	-
<u>163,233</u>	<u>320,293</u>	<u>921,614</u>	<u>317,794</u>	<u>370,401</u>	<u>182,942</u>	<u>265,288</u>	<u>242,228</u>
<u>\$ 8,726,506</u>	<u>\$ 11,805,788</u>	<u>\$ 7,114,859</u>	<u>\$ 43,428,910</u>	<u>\$ 9,626,514</u>	<u>\$ 8,340,383</u>	<u>\$ 20,458,715</u>	<u>\$ 13,666,463</u>
\$ 313,133	\$ 361,178	\$ 59,841	\$ 800,871	\$ 460,998	\$ 200,736	\$ 919,849	\$ 3,156,484
-	-	-	9,533,934	142,500	-	-	873,466
1,218,502	635,133	279,265	11,621,128	227,868	262,312	958,905	1,155,525
-	669,419	160,218	4,778,500	1,017,580	634,660	1,669,304	1,045,662
300,168	213,102	499,588	1,572,142	229,684	-	554,255	-
-	181,940	76,974	700,256	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,831,803</u>	<u>2,060,772</u>	<u>1,075,886</u>	<u>29,006,831</u>	<u>2,078,630</u>	<u>1,097,708</u>	<u>4,102,313</u>	<u>6,231,137</u>
<u>868,063</u>	<u>4,009,542</u>	<u>574,322</u>	<u>5,936,802</u>	<u>3,243,013</u>	<u>1,523,150</u>	<u>4,486,121</u>	<u>5,450,288</u>
-	-	-	-	-	-	-	1,285,918
-	-	-	-	-	-	-	-
<u>108,669</u>	<u>158,386</u>	<u>1,679,150</u>	<u>19,180</u>	<u>-</u>	<u>444,221</u>	<u>-</u>	<u>-</u>
<u>108,669</u>	<u>158,386</u>	<u>1,679,150</u>	<u>19,180</u>	<u>-</u>	<u>444,221</u>	<u>-</u>	<u>1,285,918</u>
<u>2,808,535</u>	<u>6,228,700</u>	<u>3,329,358</u>	<u>34,962,813</u>	<u>5,321,643</u>	<u>3,065,079</u>	<u>8,588,434</u>	<u>12,967,343</u>
5,917,971	5,374,259	3,549,816	8,394,987	4,304,871	5,231,450	11,857,322	699,120
-	202,829	235,685	71,110	-	43,854	-	-
-	-	-	-	-	-	12,959	-
<u>5,917,971</u>	<u>5,577,088</u>	<u>3,785,501</u>	<u>8,466,097</u>	<u>4,304,871</u>	<u>5,275,304</u>	<u>11,870,281</u>	<u>699,120</u>
<u>\$ 8,726,506</u>	<u>\$ 11,805,788</u>	<u>\$ 7,114,859</u>	<u>\$ 43,428,910</u>	<u>\$ 9,626,514</u>	<u>\$ 8,340,383</u>	<u>\$ 20,458,715</u>	<u>\$ 13,666,463</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING BALANCE SHEETS**

**DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Delaware</u>	<u>Dutchess</u>	<u>Erie</u>	<u>Essex</u>
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and equivalents	\$ 1,387,061	\$ 115,619	\$ 227,834	\$ 3,210,786
Investments	4,417,036	161,703	470,171	4,044,969
Restricted deposits and funded reserves	-	-	-	-
Government receivables, net	1,371,555	3,726,530	6,967,201	4,522,874
Other receivables, net	157,761	43,180	170,868	234,185
Inventories	197,514	-	65,962	245,158
Due from Chapters	-	-	-	-
Prepaid expenses and other assets	20,194	168,203	433,418	749,254
Deposits	-	4,647	-	-
Total current assets	<u>7,551,121</u>	<u>4,219,882</u>	<u>8,335,454</u>	<u>13,007,226</u>
PROPERTY, PLANT AND EQUIPMENT:				
Land	167,600	1,187,819	1,670,592	-
Buildings and leasehold improvements	4,175,980	8,598,730	11,906,958	22,894,551
Furniture, fixtures and equipment	3,168,812	1,285,660	3,041,669	-
Vehicles	-	1,948,469	-	2,999,199
Construction-in-progress	-	1,099,067	-	-
	7,512,392	14,119,745	16,619,219	25,893,750
Less: Accumulated depreciation	<u>(4,569,066)</u>	<u>(7,245,118)</u>	<u>(6,997,301)</u>	<u>(15,271,460)</u>
Total property, plant and equipment	<u>2,943,326</u>	<u>6,874,627</u>	<u>9,621,918</u>	<u>10,622,290</u>
OTHER ASSETS:				
Restricted deposits and funded reserves	77,430	163,890	205,000	542,985
Deferred charges	-	-	-	-
Participant funds and other assets	-	-	372,271	-
Financing fees, net	-	68,818	192,126	286,206
Net investments in affiliates	-	-	-	-
Total other assets	<u>77,430</u>	<u>232,708</u>	<u>769,397</u>	<u>829,191</u>
	<u>\$ 10,571,877</u>	<u>\$ 11,327,217</u>	<u>\$ 18,726,769</u>	<u>\$ 24,458,707</u>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Current installments of long-term debt	\$ 106,164	\$ 516,610	\$ 433,622	\$ 430,439
Notes payable	-	1,185,000	679,448	-
Accounts payable	498,159	380,426	1,278,576	1,090,603
Accrued expenses and taxes	335,037	944,739	3,333,304	2,147,935
Current portion of due to governmental agencies	-	1,469,568	-	-
Current portion of deferred revenue and refundable advances	1,446,687	32,390	-	107,072
Other current liabilities	-	-	101,762	-
Total current liabilities	<u>2,386,047</u>	<u>4,528,733</u>	<u>5,826,712</u>	<u>3,776,049</u>
LONG-TERM DEBT, net of current portion	<u>567,327</u>	<u>4,287,247</u>	<u>4,208,404</u>	<u>4,298,648</u>
OTHER LIABILITIES:				
Due to governmental agencies, net of current portion	-	-	-	837,715
Deferred revenue and refundable advances, net of current portion	-	-	-	-
Participant funds and other noncurrent liabilities	-	1,146	64,074	-
Total other liabilities	<u>-</u>	<u>1,146</u>	<u>64,074</u>	<u>837,715</u>
Total liabilities	<u>2,953,374</u>	<u>8,817,126</u>	<u>10,099,190</u>	<u>8,912,412</u>
NET ASSETS:				
Unrestricted	7,618,503	2,510,091	8,627,579	15,003,310
Temporary restricted	-	-	-	542,985
Permanently restricted	-	-	-	-
Total net assets	<u>7,618,503</u>	<u>2,510,091</u>	<u>8,627,579</u>	<u>15,546,295</u>
	<u>\$ 10,571,877</u>	<u>\$ 11,327,217</u>	<u>\$ 18,726,769</u>	<u>\$ 24,458,707</u>

Franklin	Fulton	Genesee	Herkimer	Jefferson	Livingston- Wyoming	Madison- Cortland	Monroe
\$ 77,148	\$ -	\$ 1,229,608	\$ 1,686,138	\$ 8,608,864	\$ 373,061	\$ 239,283	\$ 124,329
-	-	893,896	-	9,431,943	22,864	302,547	4,514,722
-	-	-	-	-	-	-	-
3,555,931	16,201,355	1,512,365	1,160,472	4,712,391	3,209,675	2,344,328	5,573,077
-	122,577	97,955	651,037	398,818	255,684	1,122,273	374,752
-	759,636	-	42,291	599,830	113,829	150,727	21,981
-	-	-	-	-	-	-	-
35,999	79,343	-	231,612	65,548	125,673	6,924	133,942
3,223	139,355	-	-	-	-	21,214	-
<u>3,672,301</u>	<u>17,302,266</u>	<u>3,733,824</u>	<u>3,771,550</u>	<u>23,817,394</u>	<u>4,100,786</u>	<u>4,187,296</u>	<u>10,742,803</u>
290,919	933,252	206,920	516,957	428,352	387,294	372,294	1,070,455
4,111,087	25,431,899	5,526,546	9,335,956	10,515,828	5,882,145	9,143,876	12,233,490
738,000	5,074,320	1,069,109	1,817,334	2,864,309	1,753,371	4,776,895	2,013,919
1,169,202	3,032,773	1,830,551	3,114,679	2,080,232	3,419,975	-	3,276,041
-	574,192	-	353,287	-	-	-	418,019
6,309,208	35,046,436	8,633,126	15,138,213	15,888,721	11,442,785	14,293,065	19,011,924
<u>(2,760,266)</u>	<u>(19,710,514)</u>	<u>(4,683,232)</u>	<u>(6,862,764)</u>	<u>(11,312,105)</u>	<u>(5,458,171)</u>	<u>(7,673,749)</u>	<u>(10,580,304)</u>
<u>3,548,942</u>	<u>15,335,922</u>	<u>3,949,894</u>	<u>8,275,449</u>	<u>4,576,616</u>	<u>5,984,614</u>	<u>6,619,316</u>	<u>8,431,620</u>
97,861	812,995	223,353	338,966	59,461	141,356	31,166	299,757
-	1,578,880	-	75,589	-	-	-	-
-	326,174	174,931	221,914	88,230	-	4,464	368,375
47,645	-	129,864	-	35,301	36,263	-	146,316
-	6,471,314	-	-	-	-	-	-
<u>145,506</u>	<u>9,189,363</u>	<u>528,148</u>	<u>636,469</u>	<u>182,992</u>	<u>177,619</u>	<u>35,630</u>	<u>814,448</u>
<u>\$ 7,366,749</u>	<u>\$ 41,827,551</u>	<u>\$ 8,211,866</u>	<u>\$ 12,683,468</u>	<u>\$ 28,577,002</u>	<u>\$ 10,263,019</u>	<u>\$ 10,842,242</u>	<u>\$ 19,988,871</u>
\$ 317,612	\$ 1,779,683	\$ 1,148,958	\$ 855,735	\$ 80,247	\$ 750,260	\$ 383,094	\$ 1,032,285
2,697,804	10,159,913	-	-	199,996	1,250,794	1,460,000	1,398,204
543,556	5,837,650	21,796	459,862	704,867	570,544	467,526	1,216,876
944,285	-	1,091,046	1,655,251	5,480,962	833,635	1,829,367	3,522,044
441,051	77,928	69,603	159,995	1,182,267	129,438	278,841	929,474
-	107,895	-	-	-	-	217,545	-
-	-	32,662	75,589	67,732	-	-	27,966
<u>4,944,308</u>	<u>17,963,069</u>	<u>2,364,065</u>	<u>3,206,432</u>	<u>7,716,071</u>	<u>3,534,671</u>	<u>4,636,373</u>	<u>8,126,849</u>
<u>2,574,488</u>	<u>13,400,846</u>	<u>2,017,041</u>	<u>5,003,408</u>	<u>1,182,768</u>	<u>3,690,383</u>	<u>2,396,758</u>	<u>5,186,736</u>
-	629,531	-	-	-	-	202,995	-
-	-	-	382,984	-	-	262,145	-
16,031	326,174	154,608	174,441	846,914	32,097	-	842,077
16,031	955,705	154,608	557,425	846,914	32,097	465,140	842,077
<u>7,534,827</u>	<u>32,319,620</u>	<u>4,535,714</u>	<u>8,767,265</u>	<u>9,745,753</u>	<u>7,257,151</u>	<u>7,498,271</u>	<u>14,155,662</u>
(168,078)	3,036,617	3,676,152	3,874,749	18,831,249	3,005,868	3,333,507	5,143,834
-	6,471,314	-	41,454	-	-	10,464	646,359
-	-	-	-	-	-	-	43,016
<u>(168,078)</u>	<u>9,507,931</u>	<u>3,676,152</u>	<u>3,916,203</u>	<u>18,831,249</u>	<u>3,005,868</u>	<u>3,343,971</u>	<u>5,833,209</u>
<u>\$ 7,366,749</u>	<u>\$ 41,827,551</u>	<u>\$ 8,211,866</u>	<u>\$ 12,683,468</u>	<u>\$ 28,577,002</u>	<u>\$ 10,263,019</u>	<u>\$ 10,842,242</u>	<u>\$ 19,988,871</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING BALANCE SHEETS**

**DECEMBER 31, 2006**

(See Accountants' Compilation Report)

(Continued)

	<u>Montgomery</u>	<u>Nassau</u>	<u>New York City</u>	<u>Niagara</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and equivalents	\$ 7,210,082	\$ 6,189,600	\$ 4,304,827	\$ 595,679
Investments	13,765,718	10,908,611	7,351,682	111,599
Restricted deposits and funded reserves	-	-	-	-
Government receivables, net	7,788,424	42,771,197	25,156,468	4,326,046
Other receivables, net	-	13,050	-	271,527
Inventories	661,691	-	-	38,351
Due from Chapters	-	-	-	-
Prepaid expenses and other assets	236,873	1,019,450	1,915,318	136,112
Deposits	-	-	-	-
Total current assets	<u>29,662,788</u>	<u>60,901,908</u>	<u>38,728,295</u>	<u>5,479,314</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				
Land	-	-	10,889,643	579,941
Buildings and leasehold improvements	20,667,878	18,974,075	82,002,564	13,051,056
Furniture, fixtures and equipment	13,154,366	25,932,458	5,718,147	1,241,356
Vehicles	-	-	13,044	1,803,874
Construction-in-progress	712,560	-	11,323,353	-
	34,534,804	44,906,533	109,946,751	16,676,227
Less: Accumulated depreciation	<u>(20,991,207)</u>	<u>(31,834,918)</u>	<u>(23,307,780)</u>	<u>(9,186,340)</u>
Total property, plant and equipment	<u>13,543,597</u>	<u>13,071,615</u>	<u>86,638,971</u>	<u>7,489,887</u>
<b>OTHER ASSETS:</b>				
Restricted deposits and funded reserves	2,020,640	1,536,542	6,807,867	-
Deferred charges	101,516	245,385	2,429,006	-
Participant funds and other assets	378,516	1,676,550	2,473,542	610,338
Financing fees, net	227,039	119,794	-	-
Net investments in affiliates	-	42,873	756,354	-
Total other assets	<u>2,727,711</u>	<u>3,621,144</u>	<u>12,466,769</u>	<u>610,338</u>
	<u>\$ 45,934,096</u>	<u>\$ 77,594,667</u>	<u>\$ 137,834,035</u>	<u>\$ 13,579,539</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Current installments of long-term debt	\$ 929,050	\$ 236,000	\$ 3,301,461	\$ 758,157
Notes payable	620,000	2,805,000	731,576	659,417
Accounts payable	1,488,608	8,100,688	3,252,937	1,058,152
Accrued expenses and taxes	5,626,419	9,036,044	26,719,586	1,240,370
Current portion of due to governmental agencies	596,637	147,650	458,286	-
Current portion of deferred revenue and refundable advances	-	-	287,500	288,083
Other current liabilities	-	14,353,845	-	-
Total current liabilities	<u>9,260,714</u>	<u>34,679,227</u>	<u>34,751,346</u>	<u>4,004,179</u>
LONG-TERM DEBT, net of current portion	<u>3,818,949</u>	<u>2,005,327</u>	<u>65,204,967</u>	<u>6,526,358</u>
<b>OTHER LIABILITIES:</b>				
Due to governmental agencies, net of current portion	2,205,000	-	-	-
Deferred revenue and refundable advances, net of current portion	-	-	-	-
Participant funds and other noncurrent liabilities	<u>3,670,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other liabilities	<u>5,875,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>18,955,023</u>	<u>36,684,554</u>	<u>99,956,313</u>	<u>10,530,537</u>
<b>NET ASSETS:</b>				
Unrestricted	26,979,073	38,613,257	36,427,722	2,869,757
Temporary restricted	-	2,218,465	-	172,412
Permanently restricted	-	78,391	1,450,000	6,833
Total net assets	<u>26,979,073</u>	<u>40,910,113</u>	<u>37,877,722</u>	<u>3,049,002</u>
	<u>\$ 45,934,096</u>	<u>\$ 77,594,667</u>	<u>\$ 137,834,035</u>	<u>\$ 13,579,539</u>

Oneida- Lewis	Onondaga	Ontario	Orange	Orleans	Oswego	Otsego	Putnam
\$ 3,997,196	\$ 1,655,091	\$ 567,287	\$ 402,191	\$ 48,943	\$ 722,150	\$ 138,513	\$ 316,414
1,975,704	968,421	1,274,636	489,603	294,125	-	-	-
-	-	-	-	-	-	-	-
2,426,123	3,843,655	1,934,691	8,085,246	2,144,854	328,936	2,275,250	6,481,486
542,215	472,403	362,969	-	2,000	12,114	10,574	-
422,242	-	81,787	-	-	-	216,987	19,027
-	-	-	-	-	-	-	-
124,914	102,329	236,162	67,888	74,382	13,444	39,359	34,666
-	-	-	42,568	-	-	-	-
<u>9,488,394</u>	<u>7,041,899</u>	<u>4,457,532</u>	<u>9,087,496</u>	<u>2,564,304</u>	<u>1,076,644</u>	<u>2,680,683</u>	<u>6,851,593</u>
555,351	295,064	-	783,514	111,505	-	471,853	1,528,000
10,168,261	7,056,912	9,575,862	16,963,040	3,958,289	21,185	6,562,491	7,855,705
1,314,036	914,777	1,277,853	2,379,694	1,390,200	31,268	866,173	1,358,160
1,377,516	173,414	3,158,955	3,500,137	-	16,520	1,667,172	912,281
-	-	980,281	-	46,437	-	-	2,237,223
13,415,164	8,440,167	14,992,951	23,626,385	5,506,431	68,973	9,567,689	13,891,369
<u>(5,791,548)</u>	<u>(3,881,287)</u>	<u>(7,113,824)</u>	<u>(12,458,792)</u>	<u>(2,969,307)</u>	<u>(66,270)</u>	<u>(6,201,875)</u>	<u>(6,270,565)</u>
<u>7,623,616</u>	<u>4,558,880</u>	<u>7,879,127</u>	<u>11,167,593</u>	<u>2,537,124</u>	<u>2,703</u>	<u>3,365,814</u>	<u>7,620,804</u>
-	130,957	395,309	443,201	147,912	-	204,761	441,166
-	-	133,462	-	-	-	-	231,468
167,475	118,613	107,369	481,879	52,898	-	243,163	108,489
-	27,758	-	257,578	35,726	-	43,779	-
-	-	-	-	-	-	-	-
<u>167,475</u>	<u>277,328</u>	<u>636,140</u>	<u>1,182,658</u>	<u>236,536</u>	<u>-</u>	<u>491,703</u>	<u>781,123</u>
<u>\$ 17,279,485</u>	<u>\$ 11,878,107</u>	<u>\$ 12,972,799</u>	<u>\$ 21,437,747</u>	<u>\$ 5,337,964</u>	<u>\$ 1,079,347</u>	<u>\$ 6,538,200</u>	<u>\$ 15,253,520</u>
\$ 664,275	\$ 240,893	\$ 645,129	\$ 1,340,552	\$ 182,008	\$ -	\$ 652,892	\$ 3,295,449
-	-	-	3,772,290	1,479,831	-	443,000	2,444,792
977,315	416,617	713,745	438,070	154,463	147,007	593,854	1,680,058
2,237,213	2,592,157	2,001,966	1,691,710	602,994	16,620	735,613	1,344,641
-	641,371	-	4,411	-	-	20,530	-
536,542	37,808	-	233,635	84,904	-	76,111	524,890
-	-	-	-	3,110	-	-	232,821
<u>4,415,345</u>	<u>3,928,846</u>	<u>3,360,840</u>	<u>7,480,668</u>	<u>2,507,310</u>	<u>163,627</u>	<u>2,522,000</u>	<u>9,522,651</u>
<u>4,574,323</u>	<u>2,549,715</u>	<u>3,907,904</u>	<u>6,482,496</u>	<u>1,275,509</u>	<u>-</u>	<u>2,069,023</u>	<u>3,630,576</u>
-	-	434,209	5,723	-	-	-	-
-	-	123,793	-	-	-	-	-
<u>136,142</u>	<u>125,723</u>	<u>32,865</u>	<u>-</u>	<u>26,170</u>	<u>-</u>	<u>139,709</u>	<u>576,614</u>
<u>136,142</u>	<u>125,723</u>	<u>590,867</u>	<u>5,723</u>	<u>26,170</u>	<u>-</u>	<u>139,709</u>	<u>576,614</u>
<u>9,125,810</u>	<u>6,604,284</u>	<u>7,859,611</u>	<u>13,968,887</u>	<u>3,808,989</u>	<u>163,627</u>	<u>4,730,732</u>	<u>13,729,841</u>
8,153,675	5,203,816	5,113,188	7,468,860	1,319,372	915,286	1,807,468	1,456,679
-	70,007	-	-	36,393	434	-	67,000
-	-	-	-	173,210	-	-	-
<u>8,153,675</u>	<u>5,273,823</u>	<u>5,113,188</u>	<u>7,468,860</u>	<u>1,528,975</u>	<u>915,720</u>	<u>1,807,468</u>	<u>1,523,679</u>
<u>\$ 17,279,485</u>	<u>\$ 11,878,107</u>	<u>\$ 12,972,799</u>	<u>\$ 21,437,747</u>	<u>\$ 5,337,964</u>	<u>\$ 1,079,347</u>	<u>\$ 6,538,200</u>	<u>\$ 15,253,520</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING BALANCE SHEETS**

**DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Rensselaer</u>	<u>Rockland</u>	<u>St. Lawrence</u>	<u>Saratoga</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and equivalents	\$ 1,179,904	\$ 1,097,572	\$ 591,287	\$ 510,823
Investments	332,524	1,662,267	1,830,307	387,487
Restricted deposits and funded reserves	-	-	-	-
Government receivables, net	4,427,199	6,195,956	2,941,005	2,706,893
Other receivables, net	48,858	450,000	366,670	278,515
Inventories	179,336	-	124,757	7,262
Due from Chapters	-	-	-	-
Prepaid expenses and other assets	13,553	65,992	11,879	69,323
Deposits	-	-	-	-
Total current assets	<u>6,181,374</u>	<u>9,471,787</u>	<u>5,865,905</u>	<u>3,960,303</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				
Land	637,002	4,433,773	678,004	1,087,406
Buildings and leasehold improvements	9,563,927	20,037,232	9,063,464	11,179,478
Furniture, fixtures and equipment	2,860,576	3,997,300	921,107	2,062,342
Vehicles	1,034,420	290,003	2,930,826	5,592,943
Construction-in-progress	-	89,139	-	751,177
	14,095,925	28,847,447	13,593,401	20,673,346
Less: Accumulated depreciation	<u>(7,751,586)</u>	<u>(11,473,957)</u>	<u>(8,057,404)</u>	<u>(11,716,803)</u>
Total property, plant and equipment	<u>6,344,339</u>	<u>17,373,490</u>	<u>5,535,997</u>	<u>8,956,543</u>
<b>OTHER ASSETS:</b>				
Restricted deposits and funded reserves	588,346	643,168	196,376	225,598
Deferred charges	-	878,945	21,560	238,449
Participant funds and other assets	-	319,703	42,996	20,447
Financing fees, net	136,176	-	-	-
Net investments in affiliates	-	-	-	-
Total other assets	<u>724,522</u>	<u>1,841,816</u>	<u>260,932</u>	<u>484,494</u>
	<u>\$ 13,250,235</u>	<u>\$ 28,687,093</u>	<u>\$ 11,662,834</u>	<u>\$ 13,401,340</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Current installments of long-term debt	\$ 610,229	\$ 752,076	\$ 387,798	\$ 962,129
Notes payable	1,159,857	1,259,618	841,765	700,000
Accounts payable	892,547	674,799	628,852	997,378
Accrued expenses and taxes	1,556,454	2,112,548	2,506,674	816,405
Current portion of due to governmental agencies	157,180	936,415	849,574	400,946
Current portion of deferred revenue and refundable advances	427,819	10,000	-	11,947
Other current liabilities	33,256	160,000	-	365,262
Total current liabilities	<u>4,837,342</u>	<u>5,905,456</u>	<u>5,214,663</u>	<u>4,254,067</u>
LONG-TERM DEBT, net of current portion	<u>2,290,864</u>	<u>7,813,922</u>	<u>1,081,591</u>	<u>5,694,501</u>
<b>OTHER LIABILITIES:</b>				
Due to governmental agencies, net of current portion	-	4,547,100	-	495,789
Deferred revenue and refundable advances, net of current portion	-	-	-	-
Participant funds and other noncurrent liabilities	56,321	287,134	29,510	-
Total other liabilities	<u>56,321</u>	<u>4,834,234</u>	<u>29,510</u>	<u>495,789</u>
Total liabilities	<u>7,184,527</u>	<u>18,553,612</u>	<u>6,325,764</u>	<u>10,444,357</u>
<b>NET ASSETS:</b>				
Unrestricted	5,202,643	9,683,481	5,012,810	2,893,741
Temporary restricted	813,065	450,000	-	55,462
Permanently restricted	50,000	-	324,260	7,780
Total net assets	<u>6,065,708</u>	<u>10,133,481</u>	<u>5,337,070</u>	<u>2,956,983</u>
	<u>\$ 13,250,235</u>	<u>\$ 28,687,093</u>	<u>\$ 11,662,834</u>	<u>\$ 13,401,340</u>

<u>Schenectady</u>	<u>Schoharie</u>	<u>Schuyler</u>	<u>Seneca</u>	<u>Steuben</u>	<u>Suffolk</u>	<u>Sullivan</u>	<u>Ulster</u>
\$ 575,108	\$ 350,535	\$ 926,785	\$ 737,498	\$ 2,202,856	\$ 2,041,371	\$ 1,015,928	\$ 919,065
2,162,826	507,888	1,200,526	1,705,623	207,473	64,158	33,759	374,317
232,413	-	-	-	-	-	-	-
2,048,807	1,919,539	993,223	4,509,774	2,130,597	9,318,348	6,677,087	7,878,963
141,933	142,161	186,933	397,928	1,106,270	1,144,685	319,397	-
2,016	109,767	-	408,304	33,740	44,611	-	-
-	-	-	-	-	-	-	-
182,013	37,181	51,660	93,907	15,828	74,601	145,897	128,475
-	33,851	20,360	-	-	-	-	-
<u>5,345,116</u>	<u>3,100,922</u>	<u>3,379,487</u>	<u>7,853,034</u>	<u>5,696,764</u>	<u>12,687,774</u>	<u>8,192,068</u>	<u>9,300,820</u>
1,436,221	632,536	286,816	556,202	131,000	2,173,073	420,687	975,409
12,608,732	5,765,892	5,201,009	7,293,835	4,281,356	23,265,128	16,686,672	16,826,076
3,139,831	1,353,700	1,075,245	3,716,344	1,131,851	3,807,912	1,840,041	4,162,406
3,507,457	1,914,240	1,006,607	-	1,694,051	2,113,405	3,579,430	3,368,649
846,725	-	-	1,531,207	551,196	513,515	17,258	804,681
21,538,966	9,666,368	7,569,677	13,097,588	7,789,454	31,873,033	22,544,088	26,137,221
<u>(12,156,342)</u>	<u>(6,354,751)</u>	<u>(4,618,380)</u>	<u>(6,747,355)</u>	<u>(4,032,655)</u>	<u>(18,262,568)</u>	<u>(13,579,155)</u>	<u>(14,932,994)</u>
<u>9,382,624</u>	<u>3,311,617</u>	<u>2,951,297</u>	<u>6,350,233</u>	<u>3,756,799</u>	<u>13,610,465</u>	<u>8,964,933</u>	<u>11,204,227</u>
539,754	96,094	197,228	158,718	202,428	1,112,902	724,301	772,657
-	-	-	-	-	-	108,010	-
121,758	-	11,500	83,498	198,877	868,362	215,911	631,626
316,097	56,137	164,501	50,870	63,901	-	-	388,561
-	-	-	-	-	-	-	-
<u>977,609</u>	<u>152,231</u>	<u>373,229</u>	<u>293,086</u>	<u>465,206</u>	<u>1,981,264</u>	<u>1,048,222</u>	<u>1,792,844</u>
<u>\$ 15,705,349</u>	<u>\$ 6,564,770</u>	<u>\$ 6,704,013</u>	<u>\$ 14,496,353</u>	<u>\$ 9,918,769</u>	<u>\$ 28,279,503</u>	<u>\$ 18,205,223</u>	<u>\$ 22,297,891</u>
\$ 1,270,217	\$ 118,703	\$ 276,918	\$ 516,791	\$ 391,989	\$ 1,072,981	\$ 910,929	\$ 1,156,753
-	-	-	180,000	-	800,000	-	1,579,699
500,938	234,168	211,586	1,095,408	326,282	1,083,151	1,264,795	1,781,325
1,023,147	406,437	518,623	1,664,705	1,559,037	4,607,456	2,241,997	2,617,649
617,430	523,205	130,487	1,890,616	87,532	-	1,540,623	1,928,016
-	331,999	-	-	207,192	235,157	102,350	147,886
-	591	-	-	-	-	-	-
<u>3,411,732</u>	<u>1,615,103</u>	<u>1,137,614</u>	<u>5,347,520</u>	<u>2,572,032</u>	<u>7,798,745</u>	<u>6,060,694</u>	<u>9,211,328</u>
<u>7,119,120</u>	<u>912,399</u>	<u>2,579,239</u>	<u>3,925,734</u>	<u>2,048,938</u>	<u>8,779,248</u>	<u>6,673,344</u>	<u>6,674,459</u>
589,780	-	-	-	233,666	-	-	-
-	-	-	-	-	-	112,706	-
<u>253,278</u>	<u>-</u>	<u>88,475</u>	<u>118,180</u>	<u>152,474</u>	<u>118,868</u>	<u>1,565,888</u>	<u>228,787</u>
<u>843,058</u>	<u>-</u>	<u>88,475</u>	<u>118,180</u>	<u>386,140</u>	<u>118,868</u>	<u>1,678,594</u>	<u>228,787</u>
<u>11,373,910</u>	<u>2,527,502</u>	<u>3,805,328</u>	<u>9,391,434</u>	<u>5,007,110</u>	<u>16,696,861</u>	<u>14,412,632</u>	<u>16,114,574</u>
4,331,439	4,037,268	2,898,685	5,104,919	4,352,005	11,318,382	3,490,584	5,780,478
-	-	-	-	559,654	264,260	290,000	402,839
-	-	-	-	-	-	12,007	-
<u>4,331,439</u>	<u>4,037,268</u>	<u>2,898,685</u>	<u>5,104,919</u>	<u>4,911,659</u>	<u>11,582,642</u>	<u>3,792,591</u>	<u>6,183,317</u>
<u>\$ 15,705,349</u>	<u>\$ 6,564,770</u>	<u>\$ 6,704,013</u>	<u>\$ 14,496,353</u>	<u>\$ 9,918,769</u>	<u>\$ 28,279,503</u>	<u>\$ 18,205,223</u>	<u>\$ 22,297,891</u>

(Continued)

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**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING BALANCE SHEETS**

**DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	Warren- Washington	Wayne	Westchester	Yates
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and equivalents	\$ 825,026	\$ 2,151,341	\$ 8,390,444	\$ 385,540
Investments	-	6,388,846	3,094,697	-
Restricted deposits and funded reserves	-	-	-	-
Government receivables, net	1,841,834	3,856,571	8,908,778	1,260,815
Other receivables, net	-	311,400	46,075	143,943
Inventories	-	-	-	88,152
Due from Chapters	-	-	-	-
Prepaid expenses and other assets	56,689	59,237	5,572,263	91,968
Deposits	-	-	-	-
Total current assets	<u>2,723,549</u>	<u>12,767,395</u>	<u>26,012,257</u>	<u>1,970,418</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				
Land	147,406	480,815	3,644,852	-
Buildings and leasehold improvements	6,297,118	9,259,105	16,804,423	2,866,018
Furniture, fixtures and equipment	401,274	2,943,418	2,176,918	922,218
Vehicles	1,011,729	-	-	1,104,175
Construction-in-progress	-	26,533	9,848,443	-
	7,857,527	12,709,871	32,474,636	4,892,411
Less: Accumulated depreciation	<u>(4,055,170)</u>	<u>(7,419,863)</u>	<u>(11,024,504)</u>	<u>(3,166,113)</u>
Total property, plant and equipment	<u>3,802,357</u>	<u>5,290,008</u>	<u>21,450,132</u>	<u>1,726,298</u>
<b>OTHER ASSETS:</b>				
Restricted deposits and funded reserves	185,673	423,996	1,334,076	89,734
Deferred charges	-	24,790	1,176,286	-
Participant funds and other assets	284,198	120,789	903,511	17,343
Financing fees, net	45,825	132,762	-	-
Net investments in affiliates	-	-	10,753	-
Total other assets	<u>515,696</u>	<u>702,337</u>	<u>3,424,626</u>	<u>107,077</u>
	<u>\$ 7,041,602</u>	<u>\$ 18,759,740</u>	<u>\$ 50,887,015</u>	<u>\$ 3,803,793</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Current installments of long-term debt	\$ 441,880	\$ 271,950	\$ 3,242,235	\$ 250,849
Notes payable	1,200,000	393,936	-	-
Accounts payable	169,644	42,483	2,335,702	213,506
Accrued expenses and taxes	682,363	1,503,339	2,846,046	803,737
Current portion of due to governmental agencies	70,266	973,711	1,998,433	15,738
Current portion of deferred revenue and refundable advances	20,377	84,513	-	-
Other current liabilities	-	-	113,191	-
Total current liabilities	<u>2,584,530</u>	<u>3,269,932</u>	<u>10,535,607</u>	<u>1,283,830</u>
LONG-TERM DEBT, net of current portion	<u>2,299,109</u>	<u>3,117,947</u>	<u>18,012,813</u>	<u>1,348,043</u>
<b>OTHER LIABILITIES:</b>				
Due to governmental agencies, net of current portion	336,338	-	-	-
Deferred revenue and refundable advances, net of current portion	-	-	-	57,327
Participant funds and other noncurrent liabilities	288,599	120,789	827,534	17,343
Total other liabilities	<u>624,937</u>	<u>120,789</u>	<u>827,534</u>	<u>74,670</u>
Total liabilities	<u>5,508,576</u>	<u>6,508,668</u>	<u>29,375,954</u>	<u>2,706,543</u>
<b>NET ASSETS:</b>				
Unrestricted	1,533,026	12,195,593	-	1,097,250
Temporary restricted	-	55,479	21,511,061	-
Permanently restricted	-	-	-	-
Total net assets	<u>1,533,026</u>	<u>12,251,072</u>	<u>21,511,061</u>	<u>1,097,250</u>
	<u>\$ 7,041,602</u>	<u>\$ 18,759,740</u>	<u>\$ 50,887,015</u>	<u>\$ 3,803,793</u>

The accompanying notes are an integral part of these exhibits.

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

	<u>Total</u>	<u>Eliminations</u>	<u>Office</u>	<u>Albany</u>
<b>UNRESTRICTED NET ASSETS:</b>				
Revenue and support -				
Program revenue	\$ 1,519,830,995	\$ -	\$ -	\$ 23,259,178
Non-program revenue	30,250,044	(2,631,205)	4,244,077	346,856
Fundraising	8,485,119	-	2,275	-
Other support	353,567	-	-	-
Capital additions revenue	1,170,391	-	-	-
Net assets released from restrictions	<u>1,355,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,561,445,952</u>	<u>(2,631,205)</u>	<u>4,246,352</u>	<u>23,606,034</u>
Expenses -				
Program services	1,411,908,422	-	-	21,940,743
Management and general	129,287,782	(2,631,205)	3,389,222	1,329,867
Fundraising	5,699,897	-	-	44,187
Other operating expenses	<u>5,515,309</u>	<u>-</u>	<u>1,014,129</u>	<u>-</u>
Total expenses	<u>1,552,411,410</u>	<u>(2,631,205)</u>	<u>4,403,351</u>	<u>23,314,797</u>
Increase (decrease) in unrestricted net assets	<u>9,034,542</u>	<u>-</u>	<u>(156,999)</u>	<u>291,237</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>				
Contributions, grants, etc.	1,263,360	-	-	-
Interest income	70,242	-	-	2,484
Other	410,990	-	-	-
Net assets released from restrictions	<u>(1,355,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in temporarily restricted net assets	<u>388,756</u>	<u>-</u>	<u>-</u>	<u>2,484</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>				
Contributions	266,902	-	-	-
Other	<u>(65,552)</u>	<u>-</u>	<u>-</u>	<u>(1,563)</u>
Increase (decrease) in permanently restricted net assets	<u>201,350</u>	<u>-</u>	<u>-</u>	<u>(1,563)</u>
CHANGE IN NET ASSETS	9,624,648	-	(156,999)	292,158
NET ASSETS - beginning of year	<u>373,552,367</u>	<u>-</u>	<u>2,002,261</u>	<u>8,564,920</u>
NET ASSETS - end of year	<u>\$ 383,177,015</u>	<u>\$ -</u>	<u>\$ 1,845,262</u>	<u>\$ 8,857,078</u>

<u>Allegany</u>	<u>Broome- Tioga</u>	<u>Cattaraugus</u>	<u>Chautauqua</u>	<u>Chemung</u>	<u>Chenango</u>	<u>Clinton</u>	<u>Columbia</u>
\$ 16,596,325	\$ 16,342,715	\$ 17,916,587	\$ 81,584,830	\$ 15,564,191	\$ 9,423,791	\$ 23,341,515	\$ 20,340,420
163,729	72,517	125,880	724,080	148,252	7,947	348,248	89,319
-	131,170	-	147,798	16,645	18,924	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	42,493	-	-	-	-
<u>16,760,054</u>	<u>16,546,402</u>	<u>18,042,467</u>	<u>82,499,201</u>	<u>15,729,088</u>	<u>9,450,662</u>	<u>23,689,763</u>	<u>20,429,739</u>
15,955,358	14,421,246	16,243,283	76,902,463	14,090,404	8,077,680	21,578,999	18,288,571
746,428	1,439,226	1,934,289	6,053,593	1,314,724	1,534,643	2,257,698	1,779,685
2,928	207,058	-	-	-	11,818	-	-
-	283,957	-	-	-	-	-	-
<u>16,704,714</u>	<u>16,351,487</u>	<u>18,177,572</u>	<u>82,956,056</u>	<u>15,405,128</u>	<u>9,624,141</u>	<u>23,836,697</u>	<u>20,068,256</u>
<u>55,340</u>	<u>194,915</u>	<u>(135,105)</u>	<u>(456,855)</u>	<u>323,960</u>	<u>(173,479)</u>	<u>(146,934)</u>	<u>361,483</u>
-	-	-	20,110	-	-	-	-
-	13,041	-	-	-	-	-	-
-	-	3,110	-	-	-	-	-
-	-	-	(42,493)	-	-	-	-
-	13,041	3,110	(22,383)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
55,340	207,956	(131,995)	(479,238)	323,960	(173,479)	(146,934)	361,483
<u>5,862,631</u>	<u>5,369,132</u>	<u>3,917,496</u>	<u>8,945,335</u>	<u>3,980,911</u>	<u>5,448,783</u>	<u>12,017,215</u>	<u>337,637</u>
<u>\$ 5,917,971</u>	<u>\$ 5,577,088</u>	<u>\$ 3,785,501</u>	<u>\$ 8,466,097</u>	<u>\$ 4,304,871</u>	<u>\$ 5,275,304</u>	<u>\$ 11,870,281</u>	<u>\$ 699,120</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Delaware</u>	<u>Dutchess</u>	<u>Erie</u>	<u>Essex</u>
<b>UNRESTRICTED NET ASSETS:</b>				
Revenue and support -				
Program revenue	\$ 9,940,146	\$ 14,971,592	\$ 36,763,397	\$ 30,512,561
Non-program revenue	390,101	246,040	109,623	465,198
Fundraising	35,784	99,494	101,279	33,129
Other support	-	-	-	-
Capital additions revenue	-	-	-	-
Net assets released from restrictions	-	-	-	-
	<u>10,366,031</u>	<u>15,317,126</u>	<u>36,974,299</u>	<u>31,010,888</u>
Total revenue and support				
Expenses -				
Program services	8,816,510	13,325,268	34,800,727	26,620,949
Management and general	930,331	1,351,731	2,944,160	2,368,886
Fundraising	148,292	-	40,809	-
Other operating expenses	-	<u>232,253</u>	-	<u>81,500</u>
	<u>9,895,133</u>	<u>14,909,252</u>	<u>37,785,696</u>	<u>29,071,335</u>
Total expenses				
Increase (decrease) in unrestricted net assets	<u>470,898</u>	<u>407,874</u>	<u>(811,397)</u>	<u>1,939,553</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>				
Contributions, grants, etc.	-	-	-	36,147
Interest income	-	-	-	4,248
Other	-	-	-	-
Net assets released from restrictions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,395</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>				
Contributions	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	470,898	407,874	(811,397)	1,979,948
NET ASSETS - beginning of year	<u>7,147,605</u>	<u>2,102,217</u>	<u>9,438,976</u>	<u>13,566,347</u>
NET ASSETS - end of year	<u>\$ 7,618,503</u>	<u>\$ 2,510,091</u>	<u>\$ 8,627,579</u>	<u>\$ 15,546,295</u>

<u>Franklin</u>	<u>Fulton</u>	<u>Genesee</u>	<u>Herkimer</u>	<u>Jefferson</u>	<u>Livingston- Wyoming</u>	<u>Madison- Cortland</u>	<u>Monroe</u>
\$ 15,182,475	\$ 69,221,793	\$ 11,144,158	\$ 16,606,904	\$ 36,380,180	\$ 19,928,388	\$ 18,837,864	\$ 34,839,270
35,641	213,531	283,748	277,098	1,114,882	110,497	620,451	621,405
430	-	-	124,353	-	133,437	-	464,370
-	67,203	-	-	-	-	-	-
-	347,662	-	-	-	332,750	-	-
-	-	-	-	-	-	41,675	296,669
<u>15,218,546</u>	<u>69,850,189</u>	<u>11,427,906</u>	<u>17,008,355</u>	<u>37,495,062</u>	<u>20,505,072</u>	<u>19,499,990</u>	<u>36,221,714</u>
12,004,485	65,105,793	10,370,386	14,822,903	28,572,176	18,934,755	17,699,923	32,312,238
1,715,810	5,926,978	976,240	1,564,174	2,178,482	1,587,450	1,957,412	3,228,748
-	-	46,507	198,890	23,577	34,876	-	-
-	-	-	549	3,433,518	-	-	(332,270)
<u>13,720,295</u>	<u>71,032,771</u>	<u>11,393,133</u>	<u>16,586,516</u>	<u>34,207,753</u>	<u>20,557,081</u>	<u>19,657,335</u>	<u>35,208,716</u>
1,498,251	(1,182,582)	34,773	421,839	3,287,309	(52,009)	(157,345)	1,012,998
-	-	-	3,350	-	-	-	278,223
-	-	-	-	-	-	-	29,609
-	503,579	-	-	-	-	-	18,600
-	-	-	-	-	-	(41,675)	(296,669)
-	503,579	-	3,350	-	-	(41,675)	29,763
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,341
-	-	-	-	-	-	-	1,341
1,498,251	(679,003)	34,773	425,189	3,287,309	(52,009)	(199,020)	1,044,102
<u>(1,666,329)</u>	<u>10,186,934</u>	<u>3,641,379</u>	<u>3,491,014</u>	<u>15,543,940</u>	<u>3,057,877</u>	<u>3,542,991</u>	<u>4,789,107</u>
<u>\$ (168,078)</u>	<u>\$ 9,507,931</u>	<u>\$ 3,676,152</u>	<u>\$ 3,916,203</u>	<u>\$ 18,831,249</u>	<u>\$ 3,005,868</u>	<u>\$ 3,343,971</u>	<u>\$ 5,833,209</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Montgomery</u>	<u>Nassau</u>	<u>New York City</u>	<u>Niagara</u>	<u>Oneida- Lewis</u>
<b>UNRESTRICTED NET ASSETS:</b>					
Revenue and support -					
Program revenue	\$ 52,357,364	\$ 146,184,868	\$ 191,345,734	\$ 21,768,216	\$ 27,065,337
Non-program revenue	583,694	458,430	11,532,069	2,655,047	606,010
Fundraising	79,408	2,652,934	-	169,075	1,331,926
Other support	-	286,364	-	-	-
Capital additions revenue	-	-	-	-	-
Net assets released from restrictions	-	418,375	30,000	267,306	23,398
Total revenue and support	<u>53,020,466</u>	<u>150,000,971</u>	<u>202,907,803</u>	<u>24,859,644</u>	<u>29,026,671</u>
Expenses -					
Program services	46,951,828	136,012,171	175,359,028	22,313,502	24,898,528
Management and general	4,554,648	11,472,570	22,454,838	2,249,657	2,355,028
Fundraising	8,452	529,819	2,435,136	241,331	-
Other operating expenses	-	-	248,435	-	373,379
Total expenses	<u>51,514,928</u>	<u>148,014,560</u>	<u>200,497,437</u>	<u>24,804,490</u>	<u>27,626,935</u>
Increase (decrease) in unrestricted net assets	<u>1,505,538</u>	<u>1,986,411</u>	<u>2,410,366</u>	<u>55,154</u>	<u>1,399,736</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>					
Contributions, grants, etc.	-	561,712	-	57,528	-
Interest income	-	-	-	7,692	-
Other	-	-	-	45	-
Net assets released from restrictions	-	(418,375)	(30,000)	(267,306)	(23,398)
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>143,337</u>	<u>(30,000)</u>	<u>(202,041)</u>	<u>(23,398)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>					
Contributions	-	-	-	-	-
Other	-	(70,000)	-	-	-
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	1,505,538	2,059,748	2,380,366	(146,887)	1,376,338
NET ASSETS - beginning of year	<u>25,473,535</u>	<u>38,850,365</u>	<u>35,497,356</u>	<u>3,195,889</u>	<u>6,777,337</u>
NET ASSETS - end of year	<u>\$ 26,979,073</u>	<u>\$ 40,910,113</u>	<u>\$ 37,877,722</u>	<u>\$ 3,049,002</u>	<u>\$ 8,153,675</u>

<u>Onondaga</u>	<u>Ontario</u>	<u>Orange</u>	<u>Orleans</u>	<u>Oswego</u>	<u>Otsego</u>	<u>Putnam</u>
\$ 23,514,572	\$ 19,868,859	\$ 30,446,830	\$ 10,820,987	\$ 1,983,224	\$ 17,677,795	\$ 23,016,880
553,276	356,975	111,660	149,591	80,768	35,096	158,111
-	-	142,705	178,274	-	30,379	74,138
-	-	-	-	-	-	-
-	-	-	-	-	-	-
36,848	-	-	4,872	-	-	-
<u>24,104,696</u>	<u>20,225,834</u>	<u>30,701,195</u>	<u>11,153,724</u>	<u>2,063,992</u>	<u>17,743,270</u>	<u>23,249,129</u>
21,782,817	19,675,248	27,924,177	9,883,460	1,771,361	16,590,272	21,756,029
2,231,430	298,751	2,238,870	1,145,495	199,718	1,341,454	2,855,932
87,661	-	111,079	172,193	18,342	54,195	37,832
-	-	-	-	-	-	-
<u>24,101,908</u>	<u>19,973,999</u>	<u>30,274,126</u>	<u>11,201,148</u>	<u>1,989,421</u>	<u>17,985,921</u>	<u>24,649,793</u>
2,788	251,835	427,069	(47,424)	74,571	(242,651)	(1,400,664)
89,395	-	-	36,054	-	-	67,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(36,848)	-	-	(4,872)	-	-	-
<u>52,547</u>	<u>-</u>	<u>-</u>	<u>31,182</u>	<u>-</u>	<u>-</u>	<u>67,000</u>
-	-	-	17,642	-	-	-
-	-	-	4,670	-	-	-
-	-	-	22,312	-	-	-
55,335	251,835	427,069	6,070	74,571	(242,651)	(1,333,664)
<u>5,218,488</u>	<u>4,861,353</u>	<u>7,041,791</u>	<u>1,522,905</u>	<u>841,149</u>	<u>2,050,119</u>	<u>2,857,343</u>
<u>\$ 5,273,823</u>	<u>\$ 5,113,188</u>	<u>\$ 7,468,860</u>	<u>\$ 1,528,975</u>	<u>\$ 915,720</u>	<u>\$ 1,807,468</u>	<u>\$ 1,523,679</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Rensselaer</u>	<u>Rockland</u>	<u>St. Lawrence</u>	<u>Saratoga</u>
<b>UNRESTRICTED NET ASSETS:</b>				
Revenue and support -				
Program revenue	\$ 24,259,128	\$ 36,568,980	\$ 24,564,509	\$ 22,659,261
Non-program revenue	186,048	837,942	146,251	405,541
Fundraising	95,275	-	-	-
Other support	-	-	-	-
Capital additions revenue	-	-	104,452	-
Net assets released from restrictions	-	50,000	-	56,140
	<u>24,540,451</u>	<u>37,456,922</u>	<u>24,815,212</u>	<u>23,120,942</u>
Total revenue and support				
Expenses -				
Program services	23,048,217	34,357,894	24,189,158	20,587,567
Management and general	1,395,467	2,836,488	1,738,016	2,308,548
Fundraising	93,285	66,451	-	348,585
Other operating expenses	53,785	-	-	-
	<u>24,590,754</u>	<u>37,260,833</u>	<u>25,927,174</u>	<u>23,244,700</u>
Total expenses				
Increase (decrease) in unrestricted net assets	<u>(50,303)</u>	<u>196,089</u>	<u>(1,111,962)</u>	<u>(123,758)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>				
Contributions, grants, etc.	(1,434)	-	-	2,355
Interest income	-	-	-	-
Other	52,122	-	-	(48,108)
Net assets released from restrictions	-	(50,000)	-	(56,140)
	<u>50,688</u>	<u>(50,000)</u>	<u>-</u>	<u>(101,893)</u>
Increase (decrease) in temporarily restricted net assets				
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>				
Contributions	-	-	249,260	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>249,260</u>	<u>-</u>
Increase (decrease) in permanently restricted net assets				
CHANGE IN NET ASSETS	385	146,089	(862,702)	(225,651)
NET ASSETS - beginning of year	<u>6,065,323</u>	<u>9,987,392</u>	<u>6,199,772</u>	<u>3,182,634</u>
NET ASSETS - end of year	<u>\$ 6,065,708</u>	<u>\$ 10,133,481</u>	<u>\$ 5,337,070</u>	<u>\$ 2,956,983</u>

<u>Schenectady</u>	<u>Schoharie</u>	<u>Schuyler</u>	<u>Seneca</u>	<u>Steuben</u>	<u>Suffolk</u>	<u>Sullivan</u>	<u>Ulster</u>
\$ 23,582,097	\$ 11,818,674	\$ 7,929,006	\$ 25,876,204	\$ 16,611,677	\$ 56,579,245	\$ 29,373,903	\$ 41,102,723
198,501	104,971	69,232	347,168	180,491	330,814	168,250	180,961
-	-	-	-	-	1,304,038	59,375	33,914
-	-	-	-	-	-	-	-
-	-	-	186,843	128,403	-	-	-
-	-	-	-	-	25,833	-	-
<u>23,780,598</u>	<u>11,923,645</u>	<u>7,998,238</u>	<u>26,410,215</u>	<u>16,920,571</u>	<u>58,239,930</u>	<u>29,601,528</u>	<u>41,317,598</u>
22,510,179	11,347,647	6,817,886	23,793,508	14,951,177	60,221,577	27,826,110	39,822,698
2,389,262	939,640	816,122	2,296,411	1,227,582	485,753	2,175,643	3,506,548
-	58,112	28,392	100,364	195,781	-	65,329	-
-	-	-	-	-	98,037	-	-
<u>24,899,441</u>	<u>12,345,399</u>	<u>7,662,400</u>	<u>26,190,283</u>	<u>16,374,540</u>	<u>60,805,367</u>	<u>30,067,082</u>	<u>43,329,246</u>
<u>(1,118,843)</u>	<u>(421,754)</u>	<u>335,838</u>	<u>219,932</u>	<u>546,031</u>	<u>(2,565,437)</u>	<u>(465,554)</u>	<u>(2,011,648)</u>
-	-	-	-	107,920	5,000	-	-
-	-	-	-	-	13,168	-	-
-	-	-	-	-	-	(165,248)	46,890
-	-	-	-	-	(25,833)	-	-
-	-	-	-	107,920	(7,665)	(165,248)	46,890
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(1,118,843)</u>	<u>(421,754)</u>	<u>335,838</u>	<u>219,932</u>	<u>653,951</u>	<u>(2,573,102)</u>	<u>(630,802)</u>	<u>(1,964,758)</u>
<u>5,450,282</u>	<u>4,459,022</u>	<u>2,562,847</u>	<u>4,884,987</u>	<u>4,257,708</u>	<u>14,155,744</u>	<u>4,423,393</u>	<u>8,148,075</u>
<u>\$ 4,331,439</u>	<u>\$ 4,037,268</u>	<u>\$ 2,898,685</u>	<u>\$ 5,104,919</u>	<u>\$ 4,911,659</u>	<u>\$ 11,582,642</u>	<u>\$ 3,792,591</u>	<u>\$ 6,183,317</u>

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**NYSARC, INC, STATE OFFICE, CHAPTERS AND THEIR AFFILIATES****COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	Warren- <u>Washington</u>	<u>Wayne</u>	<u>Westchester</u>	<u>Yates</u>
<b>UNRESTRICTED NET ASSETS:</b>				
Revenue and support -				
Program revenue	\$ 13,660,102	\$ 23,527,301	\$ 47,379,089	\$ 9,590,150
Non-program revenue	42,019	84,616	1,379,233	179,364
Fundraising	-	-	1,024,590	-
Other support	-	-	-	-
Capital additions revenue	-	-	-	70,281
Net assets released from restrictions	-	1,627	60,600	-
Total revenue and support	<u>13,702,121</u>	<u>23,613,544</u>	<u>49,843,512</u>	<u>9,839,795</u>
Expenses -				
Program services	12,074,560	20,946,643	44,840,990	8,769,330
Management and general	1,392,142	1,982,521	3,632,421	888,255
Fundraising	24,320	-	184,201	80,095
Other operating expenses	-	-	28,037	-
Total expenses	<u>13,491,022</u>	<u>22,929,164</u>	<u>48,685,649</u>	<u>9,737,680</u>
Increase (decrease) in unrestricted net assets	<u>211,099</u>	<u>684,380</u>	<u>1,157,863</u>	<u>102,115</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>				
Contributions, grants, etc.	-	-	-	-
Interest income	-	-	-	-
Other	-	-	-	-
Net assets released from restrictions	-	(1,627)	(60,600)	-
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>(1,627)</u>	<u>(60,600)</u>	<u>-</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>				
Contributions	-	-	-	-
Other	-	-	-	-
Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	211,099	682,753	1,097,263	102,115
<b>NET ASSETS - beginning of year</b>	<u>1,321,927</u>	<u>11,568,319</u>	<u>20,413,798</u>	<u>995,135</u>
<b>NET ASSETS - end of year</b>	<u>\$ 1,533,026</u>	<u>\$ 12,251,072</u>	<u>\$ 21,511,061</u>	<u>\$ 1,097,250</u>

The accompanying notes are an integral part of these exhibits.

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

	<u>Total</u>	<u>Eliminations</u>	<u>Office</u>	<u>Albany</u>	<u>Allegany</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Change in net assets	\$ 9,624,648	\$ -	\$ (156,999)	\$ 292,158	\$ 55,340
Adjustments to reconcile change in net assets to net cash flow from operating activities:					
Depreciation and amortization	47,726,137	-	55,096	884,664	503,461
Net unrealized and realized (gain) loss on investments	(2,018,831)	-	(110,303)	(30,302)	19,949
Gain on sales or dispositions of assets, net	(64,037)	-	-	(510,870)	(3,480)
Bad debt expense	1,793,149	-	-	-	-
Other	(11,082,526)	-	-	(186)	-
Changes in:					
Receivables	(38,867,353)	-	(89,462)	(183,090)	(456,603)
Inventories	(4,812,332)	-	-	15,202	(39,275)
Prepaid expenses and other assets	1,605,277	-	1,250	(30,898)	15,483
Deposits	(88,524)	-	(1,200)	(308)	-
Deferred charges	25,275	-	-	-	-
Accounts payable	18,194,261	-	94,459	84,560	70,397
Accrued expenses and taxes	12,419,601	-	(10,409)	616,912	-
Due to governmental agencies	(240,489)	-	-	(53,069)	(1,112)
Deferred revenue, refundable advances and other liabilities	(2,602,452)	-	(1,300)	(42,789)	-
Net cash flow from operating activities	<u>31,611,804</u>	<u>-</u>	<u>(218,868)</u>	<u>1,041,984</u>	<u>164,160</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>					
Proceeds from the sale of property, plant and equipment	559,314	-	-	-	25,976
Expenditures for property, plant and equipment	(82,475,004)	-	(40,381)	(478,238)	(534,458)
Purchase of investments	(41,675,774)	-	(375,057)	(626,046)	(266,816)
Proceeds from sales of investments	41,893,820	-	686,606	733,701	88,860
Change in limited use reserves and deposits refunded	(359,042)	-	-	(19,205)	-
Other investing activities	2,914,071	-	-	-	(1,113)
Net cash flow from investing activities	<u>(79,142,615)</u>	<u>-</u>	<u>271,168</u>	<u>(389,788)</u>	<u>(687,551)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>					
Proceeds from long-term debt	62,150,904	-	10,233	-	268,664
Repayment of long-term debt	(36,783,076)	-	(8,180)	(518,558)	(293,357)
Proceeds from notes payable	69,770,746	-	-	-	-
Repayment of notes payable	(56,255,220)	-	-	-	-
Change in deferred charges	(125,789)	-	-	-	-
Other financing activities	2,365,635	-	-	-	(5,825)
Net cash flow from financing activities	<u>41,123,200</u>	<u>-</u>	<u>2,053</u>	<u>(518,558)</u>	<u>(30,518)</u>
CHANGE IN CASH AND EQUIVALENTS	(6,407,611)	-	54,353	133,638	(553,909)
CASH AND EQUIVALENTS - beginning of year	<u>82,340,818</u>	<u>-</u>	<u>81,587</u>	<u>1,940,622</u>	<u>1,400,069</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 75,933,207</u>	<u>\$ -</u>	<u>\$ 135,940</u>	<u>\$ 2,074,260</u>	<u>\$ 846,160</u>

Broome- Tioqa	Cattaraugus	Chautauqua	Chemung	Chenango	Clinton	Columbia
\$ 207,956	\$ (131,995)	\$ (479,238)	\$ 323,960	\$ (173,479)	\$ (146,934)	\$ 361,483
703,993	117,161	1,915,086	619,535	340,671	1,097,110	1,002,369
(25,160)	(18,411)	(18,725)	-	(92,394)	(122,114)	5,071
23,765	-	(8,820)	(13,175)	(101)	112,785	(14,716)
-	-	152,272	-	79,074	-	-
-	(16,672)	(2,952)	(75,198)	(23,651)	(6,313)	-
(757,303)	1,572	(2,090,554)	(390,160)	379,809	(266,515)	49,878
45,085	(6,776)	(4,969,178)	(35)	139,402	8,017	21,220
33,934	(596)	(60,193)	4,323	460	37,129	26,664
-	-	-	-	-	-	-
-	-	-	-	-	-	-
254,987	74,905	8,350,676	19,250	(191,174)	476,723	45,618
(163,807)	60,927	918,599	350,690	531,409	(96,833)	(119,498)
116,783	10,614	-	(110,672)	-	(125,173)	124,037
(30,906)	461,961	-	-	-	(882)	-
<u>409,327</u>	<u>552,690</u>	<u>3,706,973</u>	<u>728,518</u>	<u>990,026</u>	<u>967,000</u>	<u>1,502,126</u>
-	-	28,245	25,204	3,901	-	-
(1,248,525)	(416,065)	(3,615,179)	(655,717)	(755,760)	(2,417,112)	(1,586,452)
(240,047)	(22,432)	(130,727)	(1,100,000)	(28,768)	(1,662,430)	(225,932)
125,000	-	68,851	513,347	4,179	1,509,779	219,101
-	-	(13,354)	-	-	-	-
(10,303)	-	43,744	-	-	23,495	-
<u>(1,373,875)</u>	<u>(438,497)</u>	<u>(3,618,420)</u>	<u>(1,217,166)</u>	<u>(776,448)</u>	<u>(2,546,268)</u>	<u>(1,593,283)</u>
664,182	350,000	712,914	1,021,075	525,713	1,172,101	1,325,009
(466,640)	(33,356)	(905,691)	(423,637)	(167,740)	(986,447)	(570,748)
192,996	(206,620)	37,140,091	142,500	-	-	1,725,491
-	-	(37,297,520)	-	-	-	(2,280,845)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>390,538</u>	<u>110,024</u>	<u>(350,206)</u>	<u>739,938</u>	<u>357,973</u>	<u>185,654</u>	<u>198,907</u>
(574,010)	224,217	(261,653)	251,290	571,551	(1,393,614)	107,750
<u>1,122,363</u>	<u>899,730</u>	<u>354,600</u>	<u>532,696</u>	<u>646,675</u>	<u>2,754,752</u>	<u>311,713</u>
\$ <u>548,353</u>	\$ <u>1,123,947</u>	\$ <u>92,947</u>	\$ <u>783,986</u>	\$ <u>1,218,226</u>	\$ <u>1,361,138</u>	\$ <u>419,463</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Delaware</u>	<u>Dutchess</u>	<u>Erie</u>	<u>Essex</u>	<u>Franklin</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Change in net assets	\$ 470,898	\$ 407,874	\$ (811,397)	\$ 1,979,948	\$ 1,498,251
Adjustments to reconcile change in net assets to net cash flow from operating activities:					
Depreciation and amortization	353,422	650,920	844,422	1,029,184	360,666
Net unrealized and realized (gain) loss on investments	(33,930)	2,559	(8,956)	(58,150)	-
Gain on sales or dispositions of assets, net	(3,510)	(179,988)	17,065	(6,510)	-
Bad debt expense	-	8,477	-	-	-
Other	-	-	(354,874)	(735)	(2,413)
Changes in:					
Receivables	225,877	(799,465)	1,767,959	(880,928)	(1,620,165)
Inventories	25,839	-	(4,700)	(3,707)	-
Prepaid expenses and other assets	(15,794)	(127,926)	142,693	(291,371)	7,755
Deposits	-	-	-	-	2,000
Deferred charges	-	-	-	-	-
Accounts payable	204,029	(134,078)	(619,950)	361,360	396,021
Accrued expenses and taxes	47,033	310,198	303,860	-	(213,198)
Due to governmental agencies	-	58,854	-	-	(77,650)
Deferred revenue, refundable advances and other liabilities	1,077,109	(19,085)	(26,823)	(30,113)	-
Net cash flow from operating activities	<u>2,350,973</u>	<u>178,340</u>	<u>1,249,299</u>	<u>2,098,978</u>	<u>351,267</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>					
Proceeds from the sale of property, plant and equipment	3,502	179,988	-	6,510	-
Expenditures for property, plant and equipment	(1,403,083)	(648,827)	(1,722,874)	(2,779,152)	(631,928)
Purchase of investments	(6,327,734)	(64,669)	(272,537)	(328,884)	-
Proceeds from sales of investments	6,298,563	-	274,171	1,495,203	-
Change in limited use reserves and deposits refunded	-	-	42,069	(39,660)	-
Other investing activities	10,145	-	71,125	-	-
Net cash flow from investing activities	<u>(1,418,607)</u>	<u>(533,508)</u>	<u>(1,608,046)</u>	<u>(1,645,983)</u>	<u>(631,928)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>					
Proceeds from long-term debt	-	968,000	512,836	759,328	591,734
Repayment of long-term debt	(139,910)	(1,186,605)	(387,783)	(404,139)	(321,475)
Proceeds from notes payable	-	410,000	-	-	-
Repayment of notes payable	-	-	(552)	-	(122,375)
Change in deferred charges	(975)	-	(12,441)	-	-
Other financing activities	-	-	350,358	89,433	(12,933)
Net cash flow from financing activities	<u>(140,885)</u>	<u>191,395</u>	<u>462,418</u>	<u>444,622</u>	<u>134,951</u>
CHANGE IN CASH AND EQUIVALENTS	791,481	(163,773)	103,671	897,617	(145,710)
CASH AND EQUIVALENTS - beginning of year	<u>595,580</u>	<u>279,392</u>	<u>124,163</u>	<u>2,313,169</u>	<u>222,858</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 1,387,061</u>	<u>\$ 115,619</u>	<u>\$ 227,834</u>	<u>\$ 3,210,786</u>	<u>\$ 77,148</u>

<u>Fulton</u>	<u>Genesee</u>	<u>Herkimer</u>	<u>Jefferson</u>	<u>Livingston- Wyoming</u>	<u>Madison- Cortland</u>	<u>Monroe</u>
\$ (679,003)	\$ 34,773	\$ 425,189	\$ 3,287,309	\$ (52,009)	\$ (199,020)	\$ 1,044,102
1,611,556	537,412	1,011,974	719,591	802,809	698,863	1,205,165
-	-	-	(303,518)	-	9,523	(141,092)
-	681	(13,055)	(24,978)	127,828	(2,661)	2,098
-	-	11,298	850	-	4,169	-
(503,579)	(3,358)	(9,922)	(1,357,030)	(7,514)	-	(416,862)
(2,767,368)	(328,200)	(422,054)	(625,452)	179,410	(526,509)	(557,167)
180,526	-	(24,356)	(32,735)	19,378	(48,724)	(1,762)
1,097	-	(72,206)	157,533	(24,856)	(724)	(15,357)
(43,180)	35,728	-	-	-	-	-
51,740	-	-	-	-	-	-
(130,328)	8,579	116,301	65,482	(11,656)	(90,965)	634,376
-	248,172	433,143	1,424,680	58,110	171,202	370,822
(294,520)	-	20,267	92,278	(80,147)	(175,940)	507,854
17,045	(367,332)	48,755	-	-	(2,786)	(281,007)
<u>(2,556,014)</u>	<u>166,455</u>	<u>1,525,334</u>	<u>3,404,010</u>	<u>1,011,353</u>	<u>(163,572)</u>	<u>2,351,170</u>
-	1,339	13,055	24,978	9,897	3,149	7,430
(1,840,371)	(685,088)	(1,207,962)	(693,650)	(2,229,595)	(765,394)	(2,694,543)
-	(35,479)	-	(861,355)	(746)	(28,531)	(190,139)
-	-	-	563,358	-	-	-
50,039	-	(38,835)	-	-	(5,710)	-
-	(6,467)	(38,082)	-	-	-	(7,148)
<u>(1,790,332)</u>	<u>(725,695)</u>	<u>(1,271,824)</u>	<u>(966,669)</u>	<u>(2,220,444)</u>	<u>(796,486)</u>	<u>(2,884,400)</u>
2,195,275	409,378	351,626	-	3,536,048	159,060	1,628,146
(1,783,262)	(231,979)	(604,818)	(97,959)	(2,381,981)	(402,192)	(814,885)
3,934,333	-	36,513	-	240,007	1,000,000	(91,478)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,537	-	-	-	(217,714)
<u>4,346,346</u>	<u>177,399</u>	<u>(214,142)</u>	<u>(97,959)</u>	<u>1,394,074</u>	<u>756,868</u>	<u>504,069</u>
-	(381,841)	39,368	2,339,382	184,983	(203,190)	(29,161)
-	1,611,449	1,646,770	6,269,482	188,078	442,473	153,490
<u>\$ -</u>	<u>\$ 1,229,608</u>	<u>\$ 1,686,138</u>	<u>\$ 8,608,864</u>	<u>\$ 373,061</u>	<u>\$ 239,283</u>	<u>\$ 124,329</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Montgomery</u>	<u>Nassau</u>	<u>New York City</u>	<u>Niagara</u>	<u>Oneida- Lewis</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Change in net assets	\$ 1,505,538	\$ 2,059,748	\$ 2,380,366	\$ (146,887)	\$ 1,376,338
Adjustments to reconcile change in net assets to net cash flow from operating activities:					
Depreciation and amortization	2,267,207	3,459,934	5,091,131	1,004,579	1,118,515
Net unrealized and realized (gain) loss on investments	(13,194)	(365,792)	(496,192)	(1,241)	(66,549)
Gain on sales or dispositions of assets, net	650	-	248,435	156,554	9,820
Bad debt expense	-	-	339,911	-	-
Other	-	(4,364)	(35,439)	-	-
Changes in:					
Receivables	(412,251)	(6,870,546)	(5,395,885)	(153,884)	(398,229)
Inventories	(114,933)	-	-	70	(63,980)
Prepaid expenses and other assets	(55,939)	(154,222)	1,678,170	40,607	(3,437)
Deposits	-	-	-	-	-
Deferred charges	(29,473)	-	-	-	-
Accounts payable	(62,138)	2,358,707	311,724	167,371	27,093
Accrued expenses and taxes	1,854,476	3,254,704	(2,343,958)	164,993	457,495
Due to governmental agencies	(555,976)	(104,719)	-	-	-
Deferred revenue, refundable advances and other liabilities	318,000	168,781	(3,941,010)	(557,770)	15,170
Net cash flow from operating activities	<u>4,701,967</u>	<u>3,802,231</u>	<u>(2,162,747)</u>	<u>674,392</u>	<u>2,472,236</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>					
Proceeds from the sale of property, plant and equipment	132,531	-	-	11,218	-
Expenditures for property, plant and equipment	(2,409,983)	(2,694,134)	(13,333,809)	(876,368)	(1,705,681)
Purchase of investments	(7,446,125)	(5,663,463)	(5,741,990)	(31,373)	(1,256,402)
Proceeds from sales of investments	7,412,188	5,238,269	8,707,732	138,928	173,587
Change in limited use reserves and deposits refunded	(84,234)	-	(145,046)	-	-
Other investing activities	-	(330,217)	3,287,257	4,787	-
Net cash flow from investing activities	<u>(2,395,623)</u>	<u>(3,449,545)</u>	<u>(7,225,856)</u>	<u>(752,808)</u>	<u>(2,788,496)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>					
Proceeds from long-term debt	1,304,414	-	5,834,596	566,932	910,189
Repayment of long-term debt	(896,687)	(283,790)	(3,491,840)	(791,715)	(694,134)
Proceeds from notes payable	2,000,000	1,780,000	731,576	575,594	-
Repayment of notes payable	(2,572,344)	(1,350,000)	-	-	-
Change in deferred charges	-	-	-	-	-
Other financing activities	-	(674,683)	3,093,886	-	-
Net cash flow from financing activities	<u>(164,617)</u>	<u>(528,473)</u>	<u>6,168,218</u>	<u>350,811</u>	<u>216,055</u>
CHANGE IN CASH AND EQUIVALENTS	2,141,727	(175,787)	(3,220,385)	272,395	(100,205)
CASH AND EQUIVALENTS - beginning of year	<u>5,068,355</u>	<u>6,365,387</u>	<u>7,525,212</u>	<u>323,284</u>	<u>4,097,401</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 7,210,082</u>	<u>\$ 6,189,600</u>	<u>\$ 4,304,827</u>	<u>\$ 595,679</u>	<u>\$ 3,997,196</u>

<u>Onondaga</u>	<u>Ontario</u>	<u>Orange</u>	<u>Orleans</u>	<u>Oswego</u>	<u>Otsego</u>	<u>Putnam</u>
\$ 55,335	\$ 251,835	\$ 427,069	\$ 6,070	\$ 74,571	\$ (242,651)	\$ (1,333,664)
434,703	918,183	1,042,281	360,713	1,512	524,419	627,955
40,578	(10,272)	-	(14,773)	-	-	-
-	11,437	-	4,850	-	(19,757)	(1,500)
76,639	-	133,788	2,813	-	54,084	500,000
(100,554)	-	(9,415)	(20,752)	-	14,820	-
(1,088,408)	(268,362)	(1,454,847)	(530,803)	(65,313)	(173,043)	(225,668)
-	(25,856)	-	-	-	134,016	4,009
71,580	(206,775)	(6,016)	(60,414)	(9,848)	54,316	11,920
-	-	-	-	-	-	-
-	-	-	-	-	-	-
38,438	570,199	106,861	-	54,749	163,074	800,783
919,842	-	-	112,246	6,335	156,152	51,866
474,693	188,703	(300,000)	-	(22,084)	(60,122)	(1,180,036)
1,517	7,020	(24,588)	(126,516)	-	70,267	-
<u>924,363</u>	<u>1,436,112</u>	<u>(84,867)</u>	<u>(266,566)</u>	<u>39,922</u>	<u>675,575</u>	<u>(744,335)</u>
-	-	-	-	-	21,002	1,500
(1,041,831)	(1,910,612)	(1,552,663)	(530,320)	(493)	(629,430)	(1,396,439)
(388,391)	(258,270)	(165,972)	(21,842)	-	-	-
-	107,890	-	-	-	-	-
(3,268)	(31,037)	(3,551)	(9,472)	-	(22,708)	(115,978)
-	-	-	-	-	6,824	-
<u>(1,433,490)</u>	<u>(2,092,029)</u>	<u>(1,722,186)</u>	<u>(561,634)</u>	<u>(493)</u>	<u>(624,312)</u>	<u>(1,510,917)</u>
757,027	1,160,492	531,468	167,295	-	707,168	2,840,758
(197,197)	(658,003)	(1,027,882)	(194,989)	-	(774,715)	(658,429)
-	-	1,546,108	855,595	-	56,730	4,298,696
-	-	-	-	-	-	(3,906,609)
-	-	(112,373)	-	-	-	-
40,580	37,188	6,630	17,642	-	1,325	(284,643)
<u>600,410</u>	<u>539,677</u>	<u>943,951</u>	<u>845,543</u>	<u>-</u>	<u>(9,492)</u>	<u>2,289,773</u>
91,283	(116,240)	(863,102)	17,343	39,429	41,771	34,521
<u>1,563,808</u>	<u>683,527</u>	<u>1,265,293</u>	<u>31,600</u>	<u>682,721</u>	<u>96,742</u>	<u>281,893</u>
<u>\$ 1,655,091</u>	<u>\$ 567,287</u>	<u>\$ 402,191</u>	<u>\$ 48,943</u>	<u>\$ 722,150</u>	<u>\$ 138,513</u>	<u>\$ 316,414</u>

(Continued)

**NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

(See Accountants' Compilation Report)

(Continued)

	<u>Rensselaer</u>	<u>Rockland</u>	<u>St. Lawrence</u>	<u>Saratoga</u>	<u>Schenectady</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Change in net assets	\$ 385	\$ 146,089	\$ (862,702)	\$ (225,651)	\$ (1,118,843)
Adjustments to reconcile change in net assets to net cash flow from operating activities:					
Depreciation and amortization	487,788	1,089,585	748,973	1,319,418	1,194,575
Net unrealized and realized (gain) loss on investments	(11,809)	(13,408)	25,933	(17,603)	(14,996)
Gain on sales or dispositions of assets, net	-	-	475	-	27,576
Bad debt expense	-	218,323	167,676	-	-
Other	-	(4,009)	(249,711)	-	(142,209)
Changes in:					
Receivables	(356,168)	(1,621,259)	(296,319)	(474,803)	(232,440)
Inventories	(7,449)	-	(22,919)	9,267	(32)
Prepaid expenses and other assets	25,819	(20,961)	87,292	43,952	11,180
Deposits	(2,319)	-	-	(637)	(30,096)
Deferred charges	-	-	-	-	-
Accounts payable	302,333	(134,924)	188,656	94,855	242,778
Accrued expenses and taxes	10,227	274,661	695,138	25,701	(109,048)
Due to governmental agencies	-	-	(291,071)	118,597	327,049
Deferred revenue, refundable advances and other liabilities	234,659	-	-	106,858	-
Net cash flow from operating activities	<u>683,466</u>	<u>(65,903)</u>	<u>191,421</u>	<u>999,954</u>	<u>155,494</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>					
Proceeds from the sale of property, plant and equipment	-	-	-	-	7,426
Expenditures for property, plant and equipment	(719,794)	(2,620,342)	(968,565)	(1,429,089)	(1,410,230)
Purchase of investments	(10,724)	(421,493)	(996,156)	(120,065)	(455,210)
Proceeds from sales of investments	-	334,829	867,115	124,419	351,939
Change in limited use reserves and deposits refunded	(52,122)	(9,698)	37,530	(3,296)	-
Other investing activities	-	(36,198)	-	-	-
Net cash flow from investing activities	<u>(782,640)</u>	<u>(2,752,902)</u>	<u>(1,060,076)</u>	<u>(1,428,031)</u>	<u>(1,506,075)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>					
Proceeds from long-term debt	1,129,106	725,000	269,039	1,827,826	2,845,701
Repayment of long-term debt	(1,241,255)	(836,671)	(420,053)	(1,889,452)	(2,451,902)
Proceeds from notes payable	-	1,259,618	776,776	700,000	-
Repayment of notes payable	-	-	-	(400,100)	-
Change in deferred charges	-	-	-	-	-
Other financing activities	-	112,175	-	287,111	5,231
Net cash flow from financing activities	<u>(112,149)</u>	<u>1,260,122</u>	<u>625,762</u>	<u>525,385</u>	<u>399,030</u>
CHANGE IN CASH AND EQUIVALENTS	(211,323)	(1,558,683)	(242,893)	97,308	(951,551)
CASH AND EQUIVALENTS - beginning of year	<u>1,391,227</u>	<u>2,656,255</u>	<u>834,180</u>	<u>413,515</u>	<u>1,526,659</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 1,179,904</u>	<u>\$ 1,097,572</u>	<u>\$ 591,287</u>	<u>\$ 510,823</u>	<u>\$ 575,108</u>

<u>Schoharie</u>	<u>Schuyler</u>	<u>Seneca</u>	<u>Steuben</u>	<u>Suffolk</u>	<u>Sullivan</u>	<u>Ulster</u>
\$ (421,754)	\$ 335,838	\$ 219,932	\$ 653,951	\$ (2,573,102)	\$ (630,802)	\$ (1,964,758)
478,975	437,935	742,652	557,445	1,415,652	1,598,083	1,301,655
8,793	(49,979)	(55,107)	201	(14,566)	(4,153)	(22,246)
-	(10,183)	3,557	(1,070)	-	-	(31,919)
-	-	51,838	-	-	-	-
-	(1,990)	(190,791)	(130,409)	(10,010)	290,248	(46,890)
(431,529)	(166,754)	(1,948,705)	(959,670)	(291,733)	(594,335)	(1,603,214)
4,525	-	(39,248)	2,121	(7,826)	-	-
5,430	(42,959)	127,242	(12,010)	95,996	25,569	73,555
(3,452)	-	-	(44,985)	-	-	-
-	-	-	-	-	3,008	-
31,152	113,875	727,803	(6,545)	866,576	489,031	473,726
124,989	(39,488)	279,558	301,552	-	221,065	61,687
314,585	(185,394)	1,402,777	(23,565)	-	(1,363,844)	191,237
137,783	-	-	84,934	62,424	46,259	121,596
<u>249,497</u>	<u>390,901</u>	<u>1,321,508</u>	<u>421,950</u>	<u>(456,589)</u>	<u>80,129</u>	<u>(1,445,571)</u>
-	10,914	-	1,070	-	-	31,919
(395,584)	(464,542)	(2,314,513)	(478,670)	(1,385,169)	(884,469)	(1,699,593)
(23,550)	(428,694)	(89,976)	(293,961)	-	-	(106,580)
132,529	248,195	-	300,501	-	-	97,064
5,343	(9,780)	-	(31,983)	-	-	68,862
-	-	-	-	(78,190)	(25,588)	-
<u>(281,262)</u>	<u>(643,907)</u>	<u>(2,404,489)</u>	<u>(503,043)</u>	<u>(1,463,359)</u>	<u>(910,057)</u>	<u>(1,608,328)</u>
386,675	338,146	1,699,668	613,741	2,022,056	714,665	-
(275,101)	(263,349)	(526,207)	(629,296)	(972,254)	(739,241)	(398,908)
2,225,000	-	2,410,000	-	4,094,000	-	1,057,602
(2,425,000)	-	(2,230,000)	-	(3,669,875)	-	-
-	-	-	-	-	-	-
(29,732)	-	186,843	156,505	(775,351)	-	-
<u>(118,158)</u>	<u>74,797</u>	<u>1,540,304</u>	<u>140,950</u>	<u>698,576</u>	<u>(24,576)</u>	<u>658,694</u>
(149,923)	(178,209)	457,323	59,857	(1,221,372)	(854,504)	(2,395,205)
<u>500,458</u>	<u>1,104,994</u>	<u>280,175</u>	<u>2,142,999</u>	<u>3,262,743</u>	<u>1,870,432</u>	<u>3,314,270</u>
<u>\$ 350,535</u>	<u>\$ 926,785</u>	<u>\$ 737,498</u>	<u>\$ 2,202,856</u>	<u>\$ 2,041,371</u>	<u>\$ 1,015,928</u>	<u>\$ 919,065</u>

(Continued)

## NYSARC, INC. STATE OFFICE, CHAPTERS AND THEIR AFFILIATES

### COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007

(See Accountants' Compilation Report)

(Continued)

	Warren- <u>Washington</u>	<u>Wayne</u>	<u>Westchester</u>	<u>Yates</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 211,099	\$ 682,753	\$ 1,097,263	\$ 102,115
Adjustments to reconcile change in net assets to net cash flow from operating activities:				
Depreciation and amortization	492,836	697,585	972,649	274,069
Net unrealized and realized (gain) loss on investments	-	37,418	(33,921)	-
Gain on sales or dispositions of assets, net	(6,000)	11,105	32,135	(2,560)
Bad debt expense	26,813	-	(58,844)	23,968
Other	586	-	(7,641,740)	(18,638)
Changes in:				
Receivables	(471,747)	(1,245,284)	(978,683)	(981)
Inventories	-	-	-	(7,518)
Prepaid expenses and other assets	27,721	46,157	(3,538)	(33,510)
Deposits	(75)	-	-	-
Deferred charges	-	-	-	-
Accounts payable	(14,235)	(4,254)	202,140	4,861
Accrued expenses and taxes	193,214	66,588	440,046	(2,452)
Due to governmental agencies	5,338	550,654	333,865	(73,580)
Deferred revenue, refundable advances and other liabilities	(144,269)	84,513	(69,927)	-
Net cash flow from operating activities	<u>321,281</u>	<u>927,235</u>	<u>(5,708,555)</u>	<u>265,774</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Proceeds from the sale of property, plant and equipment	6,000	-	-	2,560
Expenditures for property, plant and equipment	(317,887)	(878,422)	(9,189,086)	(186,932)
Purchase of investments	-	(2,629,424)	(2,337,784)	-
Proceeds from sales of investments	-	2,812,916	2,265,000	-
Change in limited use reserves and deposits refunded	(42,785)	118,837	-	-
Other investing activities	-	-	-	-
Net cash flow from investing activities	<u>(354,672)</u>	<u>(576,093)</u>	<u>(9,261,870)</u>	<u>(184,372)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Proceeds from long-term debt	441,024	-	17,005,597	190,999
Repayment of long-term debt	(463,201)	(429,132)	(2,178,530)	(267,801)
Proceeds from notes payable	700,000	179,618	-	-
Repayment of notes payable	-	-	-	-
Change in deferred charges	-	-	-	-
Other financing activities	(20,928)	-	-	-
Net cash flow from financing activities	<u>656,895</u>	<u>(249,514)</u>	<u>14,827,067</u>	<u>(76,802)</u>
CHANGE IN CASH AND EQUIVALENTS	623,504	101,628	(143,358)	4,600
CASH AND EQUIVALENTS - beginning of year	<u>201,522</u>	<u>2,049,713</u>	<u>8,533,802</u>	<u>380,940</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 825,026</u>	<u>\$ 2,151,341</u>	<u>\$ 8,390,444</u>	<u>\$ 385,540</u>

The accompanying notes are an integral part of these exhibits.

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

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

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 90,622,298
Investments	82,799,334
Restricted deposits and funded reserves	3,224,926
Due from affiliates	8,980,171
Government receivables	253,324,608
Other receivables	14,804,063
Inventories	11,654,905
Due from Chapters	256,184
Prepaid expenses and other assets	11,292,454
Deposits	1,470,001
Total Current Assets	<u>478,428,944</u>

<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<u>430,557,897</u>
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**OTHER ASSETS**

Restricted deposits and funded reserves	12,890,378
Due from related parties	9,004,244
Deferred charges	6,022,201
Participant funds	2,657,959
Financing fees	8,296,719
Other	12,114,606
Total Other Assets	<u>50,986,108</u>

<b>TOTAL ASSETS</b>	<u><u>\$959,972,949</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current installments of long-term debt	\$ 21,692,255
Accounts Payable	36,081,458
Accrued expenses and taxes	146,423,080
Due to governmental agencies	14,313,266
Notes payable	35,176,514
Deferred revenue and refundable advances	6,733,602
Due to affiliates	3,268,362
Other current liabilities	7,498,882
Total Current Liabilities	<u>271,187,420</u>

<b>LONG-TERM DEBT, NET OF CURRENT INSTALLMENTS</b>	<u>279,787,508</u>
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**OTHER LIABILITIES**

Due to governmental agencies	2,610,604
Deferred revenue and refundable advances	16,660,600
Due to affiliates	1,788,229
Participant funds	3,267,757
Other	6,105,270
Total Other Liabilities	<u>30,432,460</u>

Total Liabilities

**NET ASSETS**

Unrestricted	370,409,458
Temporarily Restricted	7,123,156
Permanently Restricted	1,032,946
Total net assets	<u>378,565,560</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$959,972,949</u></u>
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**NYSARC, Inc., State Office, Chapters and Their Affiliates  
 Combined Statement of Activities and Change in Net Assets  
 for the Year Ended December 31, 2008 (Preliminary and Unaudited)**

**UNRESTRICTED NET ASSETS**

Support and Revenue	
Program revenue	\$ 1,630,282,177
Nonprogram revenue	6,455,825
Fundraising	1,084,897
Other support	339,829
Capital additions	491,856
Net assets released from restrictions	0
Total Support and Revenue	<u>1,638,654,584</u>
Expenses	
Program services	1,545,241,626
Management and general	77,669,495
Fundraising	1,965,667
Other	1,590,936
Total Expenses	<u>1,626,467,724</u>
Change in Unrestricted Net Assets	<u>12,186,861</u>

**TEMPORARILY RESTRICTED NET ASSETS**

Contributions, grants, etc.	0
Interest income	258,744
Other changes and additions	-115,796
Net assets released from restrictions	0
Change in Temporarily Restricted Net Assets	<u>142,948</u>

**PERMANENTLY RESTRICTED NET ASSETS**

Contributions	0
Other changes and additions	0
Change in Permanently Restricted Net Assets	0

Total Change in Net Assets	<u>12,329,809</u>
Net Assets, Beginning of Year	<u>366,235,752</u>
Net Assets, End of Year	<u>\$ 378,565,560</u>

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

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

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

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

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

**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT**

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## **SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT**

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2009A Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

### **Construction of Projects**

NYSARC agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series 2009 Resolution and under the Loan Agreement, NYSARC shall complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to the Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause NYSARC to be reimbursed for, or pay, any costs and expenses incurred by NYSARC which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

*(Section 5)*

### **Amendment of the Project**

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

*(Section 6)*

### **Financial Obligations**

(a) Except to the extent that moneys are available therefor under the Resolution or the Series 2009 Resolution or under the Loan Agreement, including, without limitation, moneys in the Debt Service Fund (but excluding any moneys from the Debt Service Reserve Fund, any moneys from a draw under a Credit Facility, if any, and interest accrued but unpaid on investments held in the Debt Service Fund), NYSARC unconditionally agrees to pay or cause to be paid with respect to the Bonds, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

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

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

(iii) On or before the tenth (10<sup>th</sup>) day of each month commencing on the tenth (10<sup>th</sup>) day of the sixth (6<sup>th</sup>) month immediately preceding the date on which interest on Outstanding Bonds that are not

## Appendix C

Variable Interest Rate Bonds becomes due, one-sixth (1/6) of the interest coming due on such Bonds on the immediately succeeding interest payment date on such Bonds; **provided, however**, that, if with respect to such Outstanding Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Bonds, on each payment date prior to such interest payment date NYSARC shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on such Bonds;

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

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

(vi) On January 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with the Bonds, and on July 10 of each Bond Year, the balance of the Annual Administrative Fee payable during such Bond Year; **provided, however**, that the Annual Administrative Fee with respect to the Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to such Bonds multiplied by a fraction the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

(vii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (1) for the Authority Fee then unpaid, (2) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (3) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, including but not limited to any fees or other amounts payable by the Authority under a Remarketing Agreement, a Liquidity Facility or a Credit Facility, (4) for the costs and expenses incurred by the Authority to compel full and punctual performance by NYSARC of all the provisions of the Loan Agreement or of the Resolution or of the Series 2009 Resolution in accordance with the terms thereof, (5) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution and (6) to pay any Provider Payments then due and unpaid;

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

(ix) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds, the interest of which is

excluded from gross income for federal income tax purposes, or otherwise available therefor under the Resolution and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with such Bonds;

(x) To the extent not otherwise set forth in the Loan Agreement, including without limitation, in the event of any insufficiency, any amounts necessary to pay the principal, Sinking Fund Installments or Redemption Price associated with other redemptions, if any, of, and interest on, the Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Resolution and the Series 2009 Resolution, whether at maturity, upon acceleration, redemption or otherwise.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series 2009 Resolution, NYSARC shall receive a credit against the amount required to be paid by NYSARC during a Bond Year pursuant to the Loan Agreement on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, either (A) NYSARC delivers to the Trustee for cancellation one or more Bonds of the maturity to be so redeemed or (B) the Trustee, at the direction of the Authority, has purchased one or more Bonds of the maturity to be so redeemed from amounts on deposit in the Debt Service Fund in accordance with the Resolution during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

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

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

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

(c) The obligations of NYSARC to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which NYSARC may otherwise have against the Authority, the Trustee or any Holder of Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of NYSARC to complete a Project or the completion thereof with defects, failure of NYSARC to occupy or use a Project, any declaration or finding that the Bonds are or the Resolution or either of the Series 2009 Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; **provided, however**, that nothing in the Loan Agreement shall be construed to release the

## *Appendix C*

Authority from the performance of any agreements on its part therein contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, NYSARC may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse NYSARC for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project available therefor.

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

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

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

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

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

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

*(Section 9)*

### **Reserve Funds**

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

NYSARC may deliver to the Trustee a Reserve Fund Facility for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution. Whenever a Reserve

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

The delivery to the Trustee of Government Obligations, Exempt Obligations, other Securities and any Reserve Fund Facility from time to time made by NYSARC pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of NYSARC's obligations thereunder and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. NYSARC authorizes the Authority pursuant to the Resolution to pledge such Government Obligations, Exempt Obligations, other Securities and Reserve Fund Facility to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Series 2009 Resolution.

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

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

- (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated by the Loan Agreement, by the Series Resolutions or by the Resolution; and
- (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of NYSARC duly had and taken.

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

*(Section 10)*

## *Appendix C*

### **Security Interest in Pledged Revenues**

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

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

*(Section 11)*

### **Collection of Pledged Revenues**

(a) Any Pledged Revenues collected by NYSARC that are not required to be paid to the Trustee pursuant to the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution or the Series 2009 Resolution, shall be free and clear of the security interest granted hereby and may be disposed of by NYSARC for any of its corporate purposes unless and until:

(i) an Event of Default (as defined in the Loan Agreement), or any event which with the passage of time or the giving of notice, or both, would be an Event of Default, has occurred and is continuing; or

(ii) there has occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by NYSARC as required by the Loan Agreement or the Resolution.

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

(ii) Unless and until an event described in the Loan Agreement shall have occurred, the Authority waives its right to collect those amounts payable to the Authority pursuant to the Loan Agreement, including the OMRDD Revenues payable to the Authority. Upon the occurrence of an event described in the Loan Agreement and unless the Authority shall have agreed otherwise, the Authority shall, in addition to all other remedies available thereto pursuant to the Loan Agreement, cause the Public Funds described in the Loan Agreement to be deducted, withheld or paid directly to the Authority or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by NYSARC under the Loan Agreement.

*(Section 12)*

#### **Rate Covenant**

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

*(Section 13)*

#### **Limitation on Indebtedness**

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

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

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

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

*(Section 14)*

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### **Warranty of Title; Utilities and Access**

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

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

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

*(Section 15)*

### **Consent to Pledge and Assignment**

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

NYSARC covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws to enter into this Loan Agreement and any Mortgage, to incur the indebtedness contemplated thereby, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders, the Pledged Revenues and the Government Obligations, Exempt Obligations and other Securities delivered pursuant to the Loan Agreement in the manner and to the extent provided therein and in the Resolution. NYSARC further covenants, warrants and represents that any and all pledges, security interests in and assignments to the Authority and the Trustee for the benefit of the Bondholders granted or made pursuant to the Loan Agreement or pursuant to any Mortgage are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Permitted Encumbrances, and that all corporate action on the part of NYSARC and any parties related thereto, to that end has been duly and validly taken. NYSARC further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of NYSARC in accordance with their terms. NYSARC further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Pledged Revenues and the Government Obligations, Exempt Obligations, any Mortgage and other Securities delivered pursuant to the Loan Agreement and all of the rights of the Authority and Trustee for the benefit of the Bondholders

thereunder, under the Series Resolution and under the Resolution against all claims and demands of all persons whomsoever. NYSARC further covenants, warrants and represents that the execution and delivery of the Loan Agreement and of the Assignment, and the consummation of the transactions contemplated by the Loan Agreement and the Assignment and compliance with the provisions thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations, Exempt Obligations, any Reserve Fund Facility and other Securities delivered to the Trustee pursuant to the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of NYSARC (or any party related thereto) or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which NYSARC (or any party related thereto) is party or by which it or any of its or their properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over NYSARC, any party related thereto or any of its or their properties.

*(Section 16)*

### **Tax-Exempt Status**

NYSARC represents that:

(i) it and the parties related thereto are organizations described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and are not “private foundations,” as such term is defined under Section 509(a) of the Code;

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

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

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

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

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

(b) NYSARC agrees that:

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

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

*(Section 17)*

### **Securities Act Status**

NYSARC represents that: (a) it is an organization organized and operated (i) exclusively for educational, benevolent or charitable purposes and (ii) not for pecuniary profit; and (b) no part of the net earnings of which

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inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. NYSARC agrees that it shall not perform any act or enter into any agreement which shall adversely affect such status as set forth in this Section.

*(Section 18)*

### **Maintenance of Corporate Existence**

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

*(Section 19)*

### **Environmental Quality Review and Historic Preservation**

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

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

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

*(Section 20)*

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

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

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

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

- (i) the amount, if any, which is sufficient to redeem or provide for payment in accordance with the Resolution of any Outstanding Bonds required to be redeemed or deemed paid in order to preserve the exclusion of interest on Bonds from gross income for federal income tax purposes; and
- (ii) the lesser of (A) the net proceeds of such transfer, sale or conveyance or (B) a percentage of the Outstanding Bonds determined by dividing (1) the principal amount of Bonds issued to finance the portion of such Project being transferred, sold or conveyed (which principal amount shall be reasonably determined by the Authority) by (2) the aggregate principal amount of Bonds issued.

Notwithstanding the foregoing, NYSARC may remove equipment, furniture or fixtures that is part of a Project and was financed with the proceeds of Bonds if such equipment is obsolete and no longer needed for the Project, or if NYSARC promptly substitutes for such equipment, furniture or fixtures additional equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

*(Section 21)*

## Restrictions on Religious Use

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

## ***Appendix C***

at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this Section an involuntary transfer or disposition of a Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

*(Section 22)*

### **Maintenance, Repair and Replacement**

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

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

*(Section 23)*

### **Covenant as to Insurance**

NYSARC agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by entities located in the State of a nature similar to that of NYSARC, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. NYSARC shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

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

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

*(Section 24)*

### **Damage or Condemnation**

In the event of a taking of the Project or any portion thereof by eminent domain or condemnation, or of damage or destruction affecting all or part thereof, all property casualty insurance, condemnation or eminent domain proceeds not applied to reimburse NYSARC for costs incurred to repair or restore the same, and subject to the provisions of the Intercreditor Agreement and the Related Agreements, if any, shall be paid to the Trustee for

deposit in the Construction Fund. Subject to the provisions of any Intercreditor Agreement and Related Agreements, all proceeds derived from an award for such taking or from property casualty insurance shall be applied as provided below.

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

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

*(Section 25)*

#### **Taxes and Assessments**

NYSARC shall pay, or cause to be paid, when due, at its own expense, and hold the Authority harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Project or any part thereof, and all ordinary costs of operating, maintaining, renovating, repairing and replacing the Project and its equipment. NYSARC shall file or cause to be filed exemption certificates as required by Governmental Requirements. NYSARC agrees to provide to the Authority within 10 days after written demand by the Authority, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; provided, however, that the good faith contest of such impositions shall be deemed to be complete compliance with the requirements of the Loan Agreement if NYSARC deposits with the Authority the full amount of such contested impositions.

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

- (i) the interests or security of the Authority under the Loan Agreement, under the Series 2009 Resolution or under the Resolution;
- (ii) the ability of the Authority to enforce its rights under the Resolution, the Series 2009 Resolution or the Loan Agreement;
- (iii) the ability of the Authority to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement or under the Series 2009 Resolution or under the Resolution; or
- (iv) the ability of NYSARC to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement or under the Series 2009 Resolution.

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

*(Section 26)*

### **Defaults and Remedies.**

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

(i) NYSARC shall default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid by or on behalf of NYSARC in accordance therewith or with the Resolution or the Series 2009 Resolution, and such default continues for a period in excess of seven (7) days; or

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

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

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

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

(vi) the charter of NYSARC shall be suspended or revoked; or

(vii) a petition to dissolve NYSARC shall be filed by NYSARC with the Board of Regents of the State of New York, the legislature of the State or other governmental authority having jurisdiction over NYSARC; or

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

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

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

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

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

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

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

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

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

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

(v) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligation or liability of NYSARC or the Authority arising from the Loan Agreement, from the Series 2009 Resolution or from the Resolution;

(vi) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of NYSARC, consent to such entry being given by NYSARC, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by NYSARC and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by NYSARC in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by NYSARC, whether or not previously incorporated into the construction of such Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of the Loan Agreement, (1) engage builders, contractors, architects, engineers

## *Appendix C*

and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of such Project, or which have been or may be incurred in any manner in connection with completing the construction of the Project or for the discharge of liens, encumbrances or defects in the title to the Project or against any moneys of the Authority applicable to the construction of such Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine in good faith to be necessary or proper. NYSARC shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of the Loan Agreement or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by NYSARC to the Authority upon demand. NYSARC hereby irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of NYSARC for the purpose of exercising the rights granted to the Authority by the Loan Agreement during the term thereof;

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

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

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

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

*(Section 30)*

### **Investment of Moneys**

NYSARC acknowledges that the Authority may in its sole discretion direct the investment of certain moneys held under the Resolution and the Series 2009 Resolution as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of the Resolution in the manner provided therein, or for any loss, direct or indirect, resulting from any such investment. The Authority hereby agrees that it shall direct the making of investments as permitted by the Resolution as soon as practicable when moneys are legally available therefor.

*(Section 36)*

### **Limitation on Agreements**

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

*(Section 38)*

### **Arbitrage; Tax Exemption**

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

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

*(Section 39)*

## *Appendix C*

### **Certificate as to Representations and Warranties**

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

*(Section 44)*

### **Further Assurances**

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

*(Section 47)*

### **Amendments to Loan Agreement**

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

*(Section 48)*

### **Termination.**

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

*(Section 49)*

**SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

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## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The following is a summary of certain provisions of the Resolution pertaining to the Series 2009A Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers herein refer to sections in the Resolution.

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

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

*(Section 1.03)*

### **Option of the Authority to Assign Certain Rights and Remedies**

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

## *Appendix D*

parity interest in the proceeds of any remedial action with respect to the security interest in Pledged Revenues granted to the Authority pursuant to the Applicable Loan Agreement in an amount equal to NYSARC's obligations to the Authority and to the right to the payment of fees, costs and expenses of the Authority payable pursuant to the Applicable Loan Agreement, the rights to the indemnities provided thereby, and the rights to the payments, if any, required to be made pursuant to such indemnities. In addition, to the extent necessary to reflect the issuance of a Credit Facility with respect to the Applicable Series of Bonds, an Authorized Officer of the Trustee shall, upon request of an Authorized Officer of the Authority, execute and deliver such amendments to or supplements of such assignment as shall be necessary to add the Provider of such Credit Facility as beneficiary of such assignment or to accept a re-assignment from such Credit Facility Provider pursuant to the terms of the Applicable Intercreditor Agreement.

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

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

*(Section 1.04)*

### **Refunding Bonds**

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding

Bonds of a Series in an aggregate principal amount sufficient, together with other money available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds.

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

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

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

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

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

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

*(Section 2.04)*

#### **Additional Obligations; Incurrence of Parity Indebtedness**

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

*(Section 2.05)*

#### **Authorization of Redemption or Purchase**

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

*(Section 4.01)*

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### **Redemption at the Election or Direction of the Authority**

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

*(Section 4.02)*

### **Redemption Other Than at Authority's Election or Direction**

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

*(Section 4.03)*

### **Selection of Bonds to Be Redeemed**

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

*(Section 4.04)*

## Notice of Redemption

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

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

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

*(Section 4.05)*

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### **Payment of Redeemed Bonds**

Notice having been given by mail in the manner provided in the Resolution, the Bonds of a Series or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. For so long as the Bonds shall not be issued in book-entry only form, payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond of a Series, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, money for the redemption of all Bonds of a Series or portions thereof to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest on such Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such money shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

*(Section 4.06)*

### **Purchase of Bonds at Election of NYSARC**

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

*(Section 4.07)*

## Pledge of Revenues

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

(Section 5.01)

## Establishment of Funds and Accounts

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

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

In addition to the funds required to be established by the Resolution, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable in a Series Resolution or a Bond Series Certificate. In addition to the accounts and subaccounts, if any, required to be established by the Resolution or by any Series Resolution, or any Bond Series Certificate, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable. All money at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or Bond Series Certificate or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds of such Series, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution, unless otherwise provided in the Applicable Series Resolution or Bond Series Certificate relating to such Bonds; **provided, however,** that the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution or Bond Series Certificate for the payment of the

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purchase price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price of such Option Bonds.

*(Section 5.02)*

### **Application of Bond Proceeds and Allocation Thereof**

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

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

*(Section 5.03)*

### **Application of Money in the Construction Fund**

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

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

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

Unless a Mortgage or an Intercreditor Agreement with respect to the Applicable Series of Bonds requires otherwise, any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or NYSARC with respect to a Project shall be deposited in the Applicable Construction Fund account and,

if necessary, such fund may be re-established for such purpose and, if not used to repair, restore or replace the Project, transferred to the Debt Service Fund for the redemption of Bonds in accordance with the Applicable Series Resolution or Bond Series Certificate.

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

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

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

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

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

*(Section 5.04)*

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

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

First: To the Applicable Debt Service Fund account:

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

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

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

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

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

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

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

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

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

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

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

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

(C) with Sinking Fund Installments, the Sinking Fund Installments payable (under the terms of the Applicable Series Resolution or the Bond

Series Certificate relating thereto) on or prior to the next succeeding July 1, or, if July 1 is not an interest payment date, on or prior to the interest payment date immediately succeeding the next succeeding July 1, and

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

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

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

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

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

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

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

*(Section 5.05)*

### **Debt Service Fund**

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

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

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

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

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

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

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

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

*(Section 5.06)*

### **Debt Service Reserve Fund**

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

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

provided that any such Reserve Fund Facility in the form of a surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of the insurance company or association is rated in the highest rating level accorded by a nationally recognized insurance rating agency or (B) the obligations insured by a surety bond or an insurance policy issued by such

company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category by Moody’s and S&P, or, if Outstanding Bonds of such Series are not rated by Moody’s and S&P by whichever of said rating services then rates Outstanding Bonds of such Series;

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

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

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

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

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

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

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

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

*(Section 5.07)*

### **Arbitrage Rebate Fund**

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

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

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

*(Section 5.08)*

### **Application of Money in Certain Funds for Retirement of Bonds**

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

*(Section 5.09)*

## Transfer of Investments

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

(Section 5.10)

## Security for Deposits

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

(Section 6.01)

## Investment of Funds and Accounts

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

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

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

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

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

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

*(Section 6.02)*

### **Payment of Principal and Interest**

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

*(Section 7.01)*

### **Further Assurance**

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

*(Section 7.04)*

### **Accounts and Audits**

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

*(Section 7.05)*

### **Creation of Liens**

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

*(Section 7.06)*

### **Enforcement of Duties and Obligations of NYSARC**

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

*(Section 7.07)*

### **Deposit of Certain Money in the Construction Fund**

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

*(Section 7.08)*

### **Offices for Payment and Registration of Bonds**

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

*(Section 7.09)*

## *Appendix D*

### **Amendment of Loan Agreement**

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

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

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

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

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

*(Section 7.11)*

### **Notice as to Event of Default under a Loan Agreement**

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

*(Section 7.12)*

### **Tax Exemption: Rebate**

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

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

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

*(Section 7.13)*

### **Adoption and Filing of Series Resolution**

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

*(Section 9.01)*

### **Modification and Amendment Without Consent**

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

- (a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of a Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (b) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
- (c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

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

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

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

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

*(Section 9.02)*

### **Supplemental Resolutions Effective With Consent of Bondholders**

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

*(Section 9.03)*

### **General Provisions Relating to Series Resolutions and Supplemental Resolutions**

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

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

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

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

*(Section 9.04)*

### **Powers of Amendment**

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

*(Section 10.01)*

### **Consent of Bondholders**

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders of a Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to such Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of a Series specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds of a Series with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee.

Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and of any Bonds of a Series issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing with

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the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds of a Series shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

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

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

*(Section 10.02)*

### **Modifications by Unanimous Consent**

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

*(Section 10.03)*

### **Consent of Provider**

Whenever by the terms of the Resolution the consent of any of the Holders of the Bonds of a Series to a modification or amendment of the Resolution made by a Series Resolution or Supplemental Resolution is required, such modification or amendment shall not become effective until the written consent of each Applicable Provider has been obtained. No modification or amendment of the Resolution which adversely affects a Provider shall be made without the written consent thereto of the Applicable Provider affected thereby. Notice of the adoption of any

such Series Resolution or Supplemental Resolution and of the effectiveness of the modification or amendment made thereby shall be given to each Applicable Provider by mail at the times and in the manner provided in the Resolution with respect to notices thereof required to be given to the Holders of the Bonds of a Series. Notice thereof shall also be given to each Rating Service as soon as practical after adoption of such Series Resolution or Supplemental Resolution and of the effectiveness thereof. In the event that the Provider is has provided a letter of credit (the “primary letter of credit”) and, as security for the performance of its obligations under the primary letter of credit, a confirming standby letter of credit from another institution, consent shall only be required from the Provider of the primary letter of credit and shall not be required from the provider of the confirming standby letter of credit.

*(Section 10.04)*

### **Events of Default**

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

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

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

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

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

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

*(Section 11.02)*

### **Acceleration of Maturity**

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (c) of Section 11.02 thereof, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of such Series to be immediately due and payable. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be

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immediately due and payable, anything in the Resolution or in a Series Resolution or in the Bonds of such Series to the contrary notwithstanding. At any time after the principal of such Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds of such Series not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) money shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) money shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the Applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration under the Resolution) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the Resolution) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

*(Section 11.03)*

### **Enforcement of Remedies**

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

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

*(Section 11.04)*

### **Limitation of Rights of Individual Bondholders**

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers

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

*(Section 11.08)*

### **Defeasance**

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

Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee (through deposit of money for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. All Outstanding Bonds of a Series or any maturity within such Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received the written consent to such defeasance of each Applicable Provider which has given written notice to the Trustee and the Authority that amounts advanced under the Applicable Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Provider, and (iv) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by the Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days

## *Appendix D*

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

For purposes of determining whether Variable Interest Rate Bonds of a Series shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of money, or Defeasance Securities and money, if any, in accordance with clause (ii) of the second sentence of paragraph (b) of Section 12.01, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; **provided, however**, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of money and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (ii) of the second sentence of paragraph (b) of this Section, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to NYSARC, and any such money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Option Bonds of a Series shall be deemed to have been paid in accordance with clause (ii) of the second sentence of paragraph (b) of this Section only if, in addition to satisfying the requirements of clauses (i) and (iii) of such sentence, there shall have been deposited with the Trustee money in an amount which shall be sufficient to pay

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

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

*(Section 12.01)*

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**FORM OF APPROVING OPINION OF BOND COUNSEL**

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**FORM OF APPROVING OPINION OF BOND COUNSEL**

August \_\_\_\_, 2009

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

Ladies and Gentlemen:

We have examined the record of proceedings relating to the \$46,150,000 aggregate principal amount of NYSARC, Inc. Revenue Bonds, Series 2009A (the "Series 2009A Bonds") issued by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolution (hereinafter defined).

The Series 2009A Bonds are issued under and pursuant to the Act and the NYSARC, Inc. Revenue Bond Resolution of the Authority, adopted March 25, 2009 (the "Resolution"), and the Authority's Series 2009A Resolution Authorizing NYSARC, Inc. Revenue Bonds, Series 2009A, adopted March 25, 2009 (the "Series 2009A Resolution" and, together with the Resolution, the "Resolutions"). The Series 2009A Bonds are being issued for the purposes set forth in the Resolutions.

The Authority has entered into a Loan Agreement with NYSARC, Inc. (the "Corporation"), dated as of March 25, 2009 (the "Loan Agreement"), providing, among other things, for a loan to the Corporation for the purposes permitted thereby and by the Resolutions. Pursuant to the Loan Agreement, the Corporation is required to make payments sufficient to pay the principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2009A Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the holders of the Series 2009A Bonds. The Authority and the Corporation have entered into a Tax Compliance Agreement as of the date hereof relating to the Series 2009A Bonds (the "Tax Compliance Agreement").

Based upon the foregoing, we are of the opinion that:

(1) The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2009A Bonds thereunder.

(2) The Resolution has been duly and lawfully adopted by the Authority. The Series 2009A Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms. The Resolutions create the valid pledge and the valid lien upon the Revenues that they purport to create, subject only to the provisions of the Resolutions permitting the withdrawal, payment,

## *Appendix E*

setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.

(3) The Series 2009A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2009A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms pursuant to the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

(4) The Authority has the right and lawful authority and power to enter into the Loan Agreement. The Loan Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Loan Agreement by the Corporation, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

(5) Under existing law:

(a) interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code;

(b) interest on the Series 2009A Bonds is not an item of tax preference for purposes of the alternative minimum tax provisions of the Code; and

(c) interest on the Series 2009A Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including the City of New York and the City of Yonkers.

We are further of the opinion that the difference between the principal amount of the Series 2009A Bonds maturing July 1, 2014, July 1, 2016 through July 1, 2029, inclusive, and July 1, 2038 (the "Discount Bonds"), which were sold at a price less than the stated principal amount thereof to initial purchasers in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Series 2009A Bonds of the same maturity were sold constitutes original issue discount that is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2009A Bonds. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Discount Bond and the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount.

We are further of the opinion that the Series 2009A Bonds maturing July 1, 2010 through July 1, 2013, inclusive, July 1, 2015 and July 1, 2032 (the "Premium Bonds"), will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that an owner of Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

In rendering the opinions set forth in paragraph 5 above, we have assumed the accuracy of certain factual certifications of, and continuing compliance with the provisions and procedures set forth in the

Resolutions, the Loan Agreement and the Tax Compliance Agreement by, the Authority and the Corporation. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Corporation, or of the failure by the Authority or the Corporation to comply with the provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Compliance Agreement, the interest on the Series 2009A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of such Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2009A Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2009A Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

We have examined a fully executed Series 2009A Bond and, in our opinion, the form of said Series 2009A Bond and its execution is regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Loan Agreement and the Series 2009A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws effecting creditors' rights generally and as to the availability of any particular remedy.

Very truly yours,

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