NEW ISSUE

$773,475,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
FEDERALLY TAXABLE PENSION OBLIGATION BONDS,
1996 ISSUE

Dated: October 15, 1996
Due: April 1 and October 1, as shown below

Payment and Security: The Federally Taxable Pension Obligation Bonds, 1996 Issue (the "1996 Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority"). Principal and Redemption Price of and interest on, the 1996 Bonds are payable solely from and secured by a pledge of certain payments to be made under the Financing Agreement relating to the Federally Taxable Pension Obligation Bonds (the "Financing Agreement"), dated as of October 23, 1996 between the State of New York (the "State") and the Authority, and all funds and accounts established under the Authority's Federally Taxable Pension Obligation Bond Resolution Authorizing Up To $380,000,000 Federally Taxable Pension Obligation Bonds, 1996 Issue, adopted October 23, 1996 (the "Resolution").

The Financing Agreement provides for the payment of amounts sufficient to pay when due all installments of principal of and interest on the 1996 Bonds. The obligation of the State to make such payments is subject to, and dependent upon, the making of annual appropriations therefor by the State legislature and the availability of moneys for such payments. See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE 1996 BONDS" herein.

The 1996 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Description: The 1996 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due October 1, 1997 and each April 1 and October 1 thereafter) on the 1996 Bonds will be payable by check mailed to the registered owners thereof at their addresses as shown on the registration books held by United States Trust Company of New York, New York, New York, the Trustee and Paying Agent (the "Trustee" and the "Paying Agent"), or at the option of the holder of at least $1,000,000 in principal amount of 1996 Bonds, by wire transfer to the holder of such Bonds at a wire transfer address in the continental United States, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. Principal and Redemption Price of the 1996 Bonds will be payable at the principal corporate trust office of the Trustee and Paying Agent or, at the option of a holder of at least $1,000,000 in principal amount of 1996 Bonds, by wire transfer to the holder of such Bonds at a wire transfer address in the continental United States as more fully described herein.

The 1996 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") for the accounts of its participants, including Euroclear and Cedel. Individual purchases of beneficial interests in the 1996 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the 1996 Bonds, payments of the principal and Redemption Price of and interest on such 1996 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE 1996 BONDS - Book-Entry Only System" herein.

Application will be made to list the 1996 Bonds on the Luxembourg Stock Exchange.

Tax Treatment: For Federal income tax purposes, interest on 1996 Bonds will be taxable to a holder thereof as ordinary interest income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest on the 1996 Bonds will be 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. See "PART 8 - TAX TREATMENT" herein.

$773,475,000 Serial Bonds

<table>
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<tr>
<th>Due</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Price or Yield</th>
<th>Due</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Price or Yield</th>
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<tr>
<td>October 1, 1997</td>
<td>$32,815,000</td>
<td>5.93%</td>
<td>100%</td>
<td>October 1, 2000</td>
<td>$66,850,000</td>
<td>6.63%</td>
<td>100%</td>
</tr>
<tr>
<td>April 1, 1998</td>
<td>57,205,000</td>
<td>6.11</td>
<td>100</td>
<td>April 1, 2001</td>
<td>69,065,000</td>
<td>6.69</td>
<td>100</td>
</tr>
<tr>
<td>October 1, 1998</td>
<td>58,945,000</td>
<td>6.23</td>
<td>100</td>
<td>October 1, 2001</td>
<td>71,380,000</td>
<td>6.75</td>
<td>100</td>
</tr>
<tr>
<td>April 1, 1999</td>
<td>60,775,000</td>
<td>6.32</td>
<td>100</td>
<td>April 1, 2002</td>
<td>73,795,000</td>
<td>6.79</td>
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<tr>
<td>October 1, 1999</td>
<td>62,700,000</td>
<td>6.45</td>
<td>100</td>
<td>October 1, 2002</td>
<td>76,300,000</td>
<td>6.84</td>
<td>100</td>
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<tr>
<td>April 1, 2000</td>
<td>64,730,000</td>
<td>6.55</td>
<td>100</td>
<td>April 1, 2003</td>
<td>78,915,000</td>
<td>6.90</td>
<td>100</td>
</tr>
</tbody>
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(Accrued interest from October 15, 1996 to be added)

The 1996 Bonds are offered when, as, and if issued. The offer of the 1996 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 Haythe & Curley, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins, Delafield & Wood, New York, New York. The Authority expects to deliver the 1996 Bonds in definitive form in New York, New York, on or about November 13, 1996.

Lehman Brothers
Artemis Capital Group, Inc.
Goldman, Sachs & Co.
Morgan Stanley & Co. Inc.
William E. Simon & Sons Municipal Securities, Inc.

First Albany Corporation
George K. Baum & Company
J.P. Morgan & Co.
PaineWebber Incorporated
Smith Barney Inc.

November 1, 1996
No dealer, broker, salesperson or other person has been authorized by the Authority or the State to give any information or to make any representations with respect to the 1996 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 any of the foregoing.

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 1996 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied or authorized by the State Division of the Budget 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. See "PART 15 - SOURCES OF INFORMATION AND CERTIFICATIONS" of the Official Statement for a schedule indicating the various sources of information.

References in this Official Statement to the Act, the Resolution and the Financing Agreement do not purport to be complete. Refer to the Act, the Resolution and the Financing Agreement for full and complete details of their provisions. Copies of the Resolution and the Financing 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 the State have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE 1996 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT RELATING TO
$773,475,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
FEDERALLY TAXABLE PENSION OBLIGATION BONDS,
1996 ISSUE

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the State in connection with the offering by the Authority of $773,475,000 principal amount of its Federally Taxable Pension Obligation Bonds, 1996 Issue (the "1996 Bonds").

The following is a brief description of certain information concerning the 1996 Bonds, the Authority and the State. A more complete description of such information and additional information that may affect decisions to invest in the 1996 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.

Background and Purpose of the Issue

In fiscal years 1984-85 and 1985-86 the State of New York deferred making two years of payments to the Pension Accumulation Fund and the New York State Public Employees Group Life Insurance Plan (the "Pension Fund Liability"). In 1986, the State legislature added Section 16-a to the Retirement and Social Security Law ("Section 16-a") to provide for the payment and amortization of the Pension Fund Liability. Section 16-a contemplated the amortization of the Pension Fund Liability over a 17-year period and established an interest rate accrual on the unpaid balance of 8% per annum. Amortization payments began on March 1, 1987. In order to achieve savings to the State with respect to the remaining amortization payments (March 1, 1997 through March 1, 2003), the 1996 Bonds are being issued by the Authority pursuant to a specific authorization therefor enacted by the State legislature in July 1996 (the "1996 Amendment").

The 1996 Bonds will be used (i) to fund the payment to the State Comptroller of the Pension Fund Liability, and (ii) to pay the Costs of Issuance of the 1996 Bonds. See "PART 4 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The 1996 Bonds will be issued pursuant to the Resolution and the Act. The Resolution authorizes the issuance of the 1996 Bonds in an amount not to exceed $830,000,000. In addition to the 1996 Bonds, the Resolution authorizes
the issuance of additional issues of bonds to refund the Bonds outstanding under the Resolution, including the 1996 Bonds, and to pay the Costs of Issuance in connection with such refunding bonds (collectively with the 1996 Bonds, the "Bonds"). The Bonds permitted under the Resolution include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. See “PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE 1996 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 institutions and to purchase and make certain loans in connection with its student loan program. In addition, pursuant to the 1996 Amendment, the Authority is authorized to issue the 1996 Bonds to provide for the payment of the Pension Fund Liability and certain other purposes as provided herein and to enter into the Financing Agreement (defined below). See “PART 5 - THE AUTHORITY.”

The 1996 Bonds

The 1996 Bonds will be dated October 15, 1996 and bear interest from such date (payable on October 1, 1997 and on each April 1 and October 1 thereafter) at the rates and mature at the times set forth on the cover page of this Official Statement. See “PART 3 -THE 1996 BONDS - Description of the 1996 Bonds.”

Payment of the 1996 Bonds

The 1996 Bonds will be special obligations of the Authority payable solely from the Annual Payments to be made by the State under a Financing Agreement between the State and the Authority (the “Financing Agreement”). Pursuant to the Resolution, such payments and the Authority’s right to receive the same have been pledged to the Trustee. See “PART 2- SOURCES OF PAYMENT AND SECURITY FOR THE 1996 BONDS.”

State Appropriations

The Act provides that the State is to annually make appropriations for payment to the Authority in an amount of money equal to the aggregate of all payments due during the State’s fiscal year to the Authority under the Financing Agreement.

The State is not legally required to make all or any part of any such appropriations, and the State may not make any payment except pursuant to an appropriation. If, however, appropriations are made (and such appropriations have not lapsed or been repealed) and moneys are available therefor, the State Comptroller and other appropriate officials of the State are legally obligated to make the above described payments to the Authority. See “Appendix B - Information Concerning the State of New York.”

See also, the Annual Information Statement of the State, dated July 26, 1996, on file with each Nationally Recognized Municipal Securities Information Repository and included by cross-reference herein, under the caption “STATE ORGANIZATION - State Financial Procedures -- The State Budget Process.”

Security for the 1996 Bonds

The 1996 Bonds will be secured by the pledge and assignment to the Trustee of certain payments to be made by the State to the Authority under the Financing Agreement. The Act provides that all such payments be made directly to the Authority by the State. Pursuant to the Financing Agreement, the Authority has directed that the amount of such payments which constitute Annual Payments be paid directly to the Trustee. The 1996 Bonds will also be secured by the proceeds from the sale of the 1996 Bonds (until disbursed as provided by the Resolution) and all funds and accounts established by the Resolution. See “PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE 1996 BONDS - Security for the 1996 Bonds.”

The 1996 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.
PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE 1996 BONDS

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment and security for the Bonds, including the 1996 Bonds, issued under the Resolution and for the Annual Payments. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution and the Financing Agreement for a more complete description of such provisions. Copies of the Resolution and the Financing Agreement are on file with the Authority and the Trustee. See also "Appendix C - Summary of the Financing Agreement Relating to the Federally Taxable Pension Obligation Bonds" 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.

Payment of the 1996 Bonds

Special Obligations

The Bonds, including the 1996 Bonds, are special obligations of the Authority payable solely from the Revenues. The Revenues consist of the Annual Payments to be made by the State pursuant to the Financing Agreement. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the holders of the 1996 Bonds.

Payment of the Annual Payments

The Annual Payments are to be paid in full from State appropriations made in accordance with the Act. The amount of the Annual Payments are to be made in amounts sufficient to pay debt service on Outstanding Bonds, as it becomes due. The Annual Payments are to be paid by the State directly to the Authority in two installments on September 10 and March 10 of each Bond Year. Each September 10 and March 10 installment must be at least equal to (i) the interest on Outstanding Bonds which bear interest at a fixed rate, and the principal and Sinking Fund Installments on all Outstanding Bonds, payable on or prior to the next succeeding October 1 or April 1, respectively and (ii) the interest on Outstanding Variable Interest Rate Bonds estimated by the Authority to be payable after the earlier of the next succeeding October 1 or April 1 and on or prior to the later of the next succeeding April 1 or October 1.

Security for the 1996 Bonds

The 1996 Bonds are secured by a first lien on the Revenues, the proceeds of the 1996 Bonds until applied for the purposes for which they were raised, and the funds and accounts established under the Resolution. The Authority has pledged to the Trustee the Annual Payments and the Authority's right to receive the Annual Payments. Pursuant to the Act, the State is to make such payments directly to the Authority. However, under the Financing Agreement, the Authority has directed, and the State has agreed, that the Annual Payments be paid directly to the Trustee.

The Authority has covenanted for the benefit of the Holders of Bonds issued under the Resolution that, except as described below, it will not create or cause to be created any lien or charge upon the Revenues, the proceeds of the Bonds or the funds or accounts established under the Resolution which is prior or equal to the pledge made by the Resolution. The Authority, however, has reserved the right to pledge and create liens upon the Revenues to secure any obligation of the Authority to the issuer of a Credit Facility or a Liquidity Facility obtained in connection with the Bonds. Such pledges or liens may be of equal priority with the pledge and lien created by the Resolution.

Limitations on Appropriations

Under the State Constitution, moneys may be paid by or on behalf of the State only after appropriations for such purposes are made by the State. Accordingly, the provisions of the Act which require the State to appropriate moneys to the Authority for its obligations under the Financing Agreement, including, without limitation, Annual Payments, do not constitute legally enforceable obligations of the State and the State cannot be compelled to make such appropriations. If, however, appropriations are made (and such appropriations have not lapsed or been repealed) and moneys are available therefor, the State Comptroller and other appropriate officials of the State are legally obligated to make the payments to the Authority required by the Act.
PART 3 - THE 1996 BONDS

Description of the 1996 Bonds

The 1996 Bonds will be issued as fully registered bonds in the initial aggregate Principal Amount set forth on the cover page hereof. The 1996 Bonds will be dated October 15, 1996 and will bear interest from such date payable on October 1, 1997, and on each April 1 and October 1 thereafter and will bear interest at the rates and will mature at par on the dates set forth on the cover page hereof. Interest on the 1996 Bonds shall accrue based upon a 360-day year of twelve 30-day months. The 1996 Bonds will be non-callable.

The 1996 Bonds will be issued as fully registered bonds. The 1996 Bonds will be issued in denominations of $5,000 or any integral multiple thereof and will be exchangeable for other fully registered 1996 Bonds in any other authorized denomination of the same maturity. The Trustee may impose 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 the exchange or any transfer of a 1996 Bond. The cost, if any, of preparing each new 1996 Bond issued upon exchange for transfer or any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

The 1996 Bonds will be registered in the name of Cede & Co., as nominee of DTC (defined below), pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the 1996 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the 1996 Bonds, the 1996 Bonds will be exchangeable for other fully registered 1996 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “Book-Entry Only System” herein and “Appendix D - Summary of Certain Provisions of the Resolution.”

Interest on the 1996 Bonds will be payable by check mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee, or at the option of the holder of at least $1,000,000 in principal amount of 1996 Bonds, by wire transfer to the holder of such Bonds at a wire transfer address in the continental United States, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or redemption price of the 1996 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee or, at the option of a holder of at least $1,000,000 in principal amount of 1996 Bonds, by wire transfer to the holder of such Bonds at a wire transfer address in the continental United States as more fully described herein. In the event the 1996 Bonds shall at any time be issued in definitive form, Foreign Holders thereof shall be paid principal or redemption price upon the presentation and surrender of the 1996 Bonds at the office of the Luxembourg paying agent. See “PART 13 - GENERAL INFORMATION.” As long as the 1996 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein.

For a more complete description of the 1996 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Book-Entry Only System

Ownership interests in the 1996 Bonds may be held through DTC in the United States, or through Cedel Bank société anonyme (“Cedel Bank”) or the Euroclear System (“Euroclear”), outside the United States, if they are participants in such systems, or indirectly through organizations which are participants in such systems.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 1996 Bonds. Upon the issuance of the 1996 Bonds, one fully registered bond for each maturity (each a “Global Bond”), each in the aggregate principal amount of such maturity will be registered in the name of Cede & Co., as nominee of DTC. So long as Cede & Co. is the registered owner of the 1996 Bonds as nominee of DTC, references herein to the owners of the 1996 Bonds shall mean DTC or its nominee, Cede & Co., and shall not mean the Beneficial Owners (as herein after defined) of the 1996 Bonds.

Cedel Bank and Euroclear will hold omnibus positions on behalf of their participants through customers’ securities accounts in Cedel Bank’s and Euroclear’s names on the books of their respective depositaries (the “Depositaries”) which in turn will hold such positions in customers’ securities accounts in their name on the books of DTC. Transfers between
DTC Participants (as hereinafter defined) will occur in the ordinary way in accordance with DTC rules. Transfers between Cedel Bank Participants (as hereinafter defined) and Euroclear Participants (as hereinafter defined) will occur ordinary way in accordance with the applicable rules and operating procedures of Cedel Bank and Euroclear, respectively. Beneficial interests in the 1996 Bonds will pass upon registration of the transfer in the records of the relevant clearing system.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly and indirectly through Cedel Bank or Euroclear, on the other, will be effected in DTC, in accordance with DTC rules on behalf of Euroclear or Cedel Bank, as the case may be, by its respective Depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Cedel Bank, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Cedel Bank, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Bonds in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Cedel Bank Participants and Euroclear Participants may not deliver instructions directly to the Depositaries.

Because of time-zone differences, the securities account of a Euroclear or Cedel Bank Participant purchasing an interest in a Global Bond from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear and Cedel Bank, as the case may be) immediately following the DTC settlement date, and the credit of any transactions in interests in a Global Bond settled during such processing will be reported to the relevant Euroclear or Cedel Bank Participant on such day. Cash received in Euroclear or Cedel Bank as a result of sales of interests in a Global Bond by or through a Euroclear or Cedel Bank Participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Cedel Bank cash account only as of the business day following settlement in DTC. For additional information regarding clearance and settlement procedures for the 1996 Bonds, see Appendix F hereto and for information with respect to tax documentation procedures relating to the 1996 Bonds, see Appendix F hereto and “PART 8 - TAX TREATMENT - United States Federal Income Tax Consequences to Foreign Investors.”

Distributions with respect to the 1996 Bonds held through Cedel Bank or Euroclear will be credited to the cash accounts of Cedel Bank Participants or Euroclear Participants in accordance with the relevant system’s rules and procedures, to the extent received by its respective Depositary. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See “PART 8 - TAX TREATMENT.” Cedel Bank or Euroclear, as the case may be, will take any other action permitted to be taken by a registered owner under the Resolution on behalf of the Cedel Bank Participant or Euroclear Participant only in accordance with its relevant rules and procedures and subject to its respective Depositary’s ability to effect such actions on its behalf through DTC.

Cedel Bank

Cedel Bank, société anonyme, 67 Bd Grande-Duchesse Charlotte, L-1331 Luxembourg (“Cedel Bank”), was incorporated in 1970 as a limited company under Luxembourg law. Cedel Bank is owned by a parent corporation, Cedel International, société anonyme, the shareholders of which are banks, securities dealers and financial institutions. Cedel International currently has about 100 shareholders, including U.S. financial institutions or their subsidiaries. No single entity may own more than five percent of Cedel International’s stock.

Cedel Bank is registered as a bank in Luxembourg, and as such is subject to regulation by the Institut Monétaire Luxembourgeois, “IML,” the Luxembourg Monetary Authority, which supervises Luxembourg banks.

Cedel Bank holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfers between their accounts. Cedel Bank provides various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Cedel Bank also deals with domestic securities markets in several countries through established depository and custodial relationships. Cedel Bank has established an electronic bridge with Morgan Guaranty Trust as the Euroclear Operator in Brussels to facilitate settlement of trades between systems. Cedel Bank currently accepts over 70,000 securities issues on its books.

Cedel Bank's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Cedel Bank’s U.S. customers are limited to securities brokers and dealers, and banks. Currently, Cedel Bank has approximately 3,000 customers located in over 60 countries, including all major European countries, Canada, and the United States. Indirect access to Cedel Bank is available to other institutions which clear through or maintain a custodial relationship with an account holder of Cedel Bank.
Corporates can become Cedel Bank customers for the purpose of the Triparty Repo Service offered by Cedel Bank.

**Euroclear**

The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in any of 34 currencies, including United States dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. The Euroclear System is operated by Morgan Guaranty Trust Company of New York, Brussels, Belgium office (the "Euroclear Operator" or "Euroclear"), under contract with Euroclear Clearance System S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear System on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Underwriters. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operator is the Belgian branch of a New York banking corporation which is a member bank of the Federal Reserve System. As such, it is regulated and examined by the Board of Governors of the Federal Reserve System and the New York State Banking Department, as well as the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the Related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within the Euroclear System, withdrawals of securities and cash from the Euroclear System, and receipts of payments with respect to securities in the Euroclear System. All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

**The Depository Trust Company**

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 1996 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1996 Bonds on DTC's records. The ownership interest of each actual purchaser of each 1996 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1996 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 1996 Bonds, except in the event that use of the book-entry system for the 1996 Bonds is discontinued.
To facilitate subsequent transfers, all 1996 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1996 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1996 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1996 Bonds are credited, which may or may not be the Beneficial Owners. The 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 Cede & Co. If less than all of the 1996 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 1996 Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1996 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 1996 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

So long as Cede & Co. is the registered owner of the 1996 Bonds, as nominee for DTC, references herein to the Bondholders, Holders or registered owners of the 1996 Bonds shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners of the 1996 Bonds.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 1996 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, or interest on, the 1996 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 1996 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 1996 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 1996 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as a registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

For every transfer and exchange of beneficial ownership of the 1996 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service with respect to the 1996 Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the 1996 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such 1996 Bonds may thereafter be exchanged for an equal aggregate principal amount of 1996 Bonds in any other authorized denominations and of the same maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.
Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection “Book-Entry Only System” has been extracted from information given by DTC. Neither the Authority, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC 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 DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE 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.

Principal and Interest Requirements for the 1996 Bonds

The following table sets forth the amounts required to be paid by the State during each six-month period ending September 10 and March 10 of the years shown for the payment of the principal and interest on the 1996 Bonds payable on the next succeeding October 1 and April 1, respectively.

<table>
<thead>
<tr>
<th>6-Month Period</th>
<th>Principal on 1996 Bonds</th>
<th>Interest Payments on 1996 Bonds</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 1997</td>
<td>$32,815,000.00</td>
<td>$48,808,934.51</td>
<td>$81,623,934.51</td>
</tr>
<tr>
<td>April 1, 1998</td>
<td>57,205,000.00</td>
<td>24,418,966.50</td>
<td>81,623,966.50</td>
</tr>
<tr>
<td>October 1, 1998</td>
<td>58,945,000.00</td>
<td>22,671,353.75</td>
<td>81,616,353.75</td>
</tr>
<tr>
<td>April 1, 1999</td>
<td>60,775,000.00</td>
<td>20,835,217.00</td>
<td>81,610,217.00</td>
</tr>
<tr>
<td>October 1, 1999</td>
<td>62,700,000.00</td>
<td>18,914,727.00</td>
<td>81,614,727.00</td>
</tr>
<tr>
<td>April 1, 2000</td>
<td>64,730,000.00</td>
<td>16,892,652.00</td>
<td>81,622,652.00</td>
</tr>
<tr>
<td>October 1, 2000</td>
<td>66,850,000.00</td>
<td>14,772,744.50</td>
<td>81,622,744.50</td>
</tr>
<tr>
<td>April 1, 2001</td>
<td>69,065,000.00</td>
<td>12,556,667.00</td>
<td>81,621,667.00</td>
</tr>
<tr>
<td>October 1, 2001</td>
<td>71,380,000.00</td>
<td>10,246,442.75</td>
<td>81,626,442.75</td>
</tr>
<tr>
<td>April 1, 2002</td>
<td>73,795,000.00</td>
<td>7,837,367.75</td>
<td>81,632,367.75</td>
</tr>
<tr>
<td>October 1, 2002</td>
<td>76,300,000.00</td>
<td>5,332,027.50</td>
<td>81,632,027.50</td>
</tr>
<tr>
<td>April 1, 2003</td>
<td>78,915,000.00</td>
<td>2,722,567.50</td>
<td>81,637,567.50</td>
</tr>
</tbody>
</table>

| Total          | $773,475,000.00         | $206,009,667.76                 | $979,484,667.76   |
PART 4 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount of 1996 Bonds</td>
<td>$773,475,000</td>
</tr>
<tr>
<td>Accrued Interest on the 1996 Bonds</td>
<td>3,949,856</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$777,424,856</td>
</tr>
</tbody>
</table>

Uses of Funds

<table>
<thead>
<tr>
<th>Use</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of Pension Fund Liability</td>
<td>$768,863,461</td>
</tr>
<tr>
<td>Costs of Issuance</td>
<td>311,018</td>
</tr>
<tr>
<td>Accrued Interest on the 1996 Bonds</td>
<td>3,949,856</td>
</tr>
<tr>
<td>Underwriters’ Discount</td>
<td>4,300,521</td>
</tr>
<tr>
<td>Total Uses</td>
<td>$777,424,856</td>
</tr>
</tbody>
</table>

PART 5 - 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"), facilities for the Departments of Health and Education of the State, 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.

In addition, pursuant to the 1996 Amendment, the Authority is authorized to issue the 1996 Bonds to provide for the payment of the Pension Fund Liability and certain other purposes as provided herein and to enter into the Financing Agreement.

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

At June 30, 1996, the Authority had approximately $13.9 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 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, 1996 were as follows:

<table>
<thead>
<tr>
<th>Public Programs</th>
<th>Bonds Issued</th>
<th>Bonds Outstanding</th>
<th>Notes Outstanding</th>
<th>Bonds and Notes Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>State University of New York Dormitory Facilities</td>
<td>$857,236,000</td>
<td>$249,720,000</td>
<td>$0</td>
<td>$249,720,000</td>
</tr>
<tr>
<td>State University of New York Educational and Athletic Facilities</td>
<td>6,185,402,999</td>
<td>3,762,566,851</td>
<td>0</td>
<td>3,762,566,851</td>
</tr>
<tr>
<td>Upstate Community Colleges of the State University of New York</td>
<td>618,935,000</td>
<td>340,150,000</td>
<td>0</td>
<td>340,150,000</td>
</tr>
<tr>
<td>Senior Colleges of the City University of New York</td>
<td>4,569,078,549</td>
<td>2,386,326,333</td>
<td>0</td>
<td>2,386,326,333</td>
</tr>
<tr>
<td>Community Colleges of the City University of New York</td>
<td>1,552,506,563</td>
<td>679,043,306</td>
<td>0</td>
<td>679,043,306</td>
</tr>
<tr>
<td>BOCES and School Districts</td>
<td>168,141,208</td>
<td>86,196,208</td>
<td>0</td>
<td>86,196,208</td>
</tr>
<tr>
<td>Judicial Facilities</td>
<td>782,975,000</td>
<td>552,455,000</td>
<td>0</td>
<td>552,455,000</td>
</tr>
<tr>
<td>New York State Departments of Health and Education</td>
<td>694,670,000</td>
<td>545,195,000</td>
<td>0</td>
<td>545,195,000</td>
</tr>
<tr>
<td>Mental Health Services Facilities</td>
<td>320,840,000</td>
<td>320,840,000</td>
<td>0</td>
<td>320,840,000</td>
</tr>
<tr>
<td>Total Public Programs</td>
<td>$15,749,785,319</td>
<td>$8,922,492,698</td>
<td>$0</td>
<td>$8,922,492,698</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Public Programs</th>
<th>Bonds Issued</th>
<th>Bonds Outstanding</th>
<th>Notes Outstanding</th>
<th>Bonds and Notes Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Colleges, Universities and Other Institutions</td>
<td>$6,412,977,840</td>
<td>$3,370,852,840</td>
<td>$30,003,000</td>
<td>$3,400,855,840</td>
</tr>
<tr>
<td>Voluntary Non-Profit Hospitals</td>
<td>1,787,663,100</td>
<td>887,044,508</td>
<td>0</td>
<td>887,044,508</td>
</tr>
<tr>
<td>Facilities for the Aged</td>
<td>663,935,000</td>
<td>637,060,000</td>
<td>0</td>
<td>637,060,000</td>
</tr>
<tr>
<td>Supplemental Higher Education Loan Financing Program</td>
<td>95,000,000</td>
<td>14,140,000</td>
<td>0</td>
<td>14,140,000</td>
</tr>
<tr>
<td>Total Non-Public Programs</td>
<td>$8,959,575,940</td>
<td>$4,909,097,348</td>
<td>$30,003,000</td>
<td>$4,939,100,348</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>$24,709,361,259</td>
<td>$13,831,590,046</td>
<td>$30,003,000</td>
<td>$13,861,593,046</td>
</tr>
</tbody>
</table>

*Includes $187,150,000 in principal amount of refunded bonds for which the Authority has made provision for payment but which remains outstanding under the resolutions pursuant to which they were issued. The refunded bonds will be called for redemption as follows: $95,715,000 on July 1, 1996 and $91,435,000 on July 1, 1998.

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 1996 the Agency had approximately $9.9 billion 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 Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 1996 were as follows:

<table>
<thead>
<tr>
<th>Public Programs</th>
<th>Bonds Issued</th>
<th>Bonds Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mental Health Services Improvement Facilities</td>
<td>$3,817,230,725</td>
<td>$2,890,246,812</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Public Programs</th>
<th>Bonds Issued</th>
<th>Bonds Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital and Nursing Home Project Bond Program</td>
<td>$226,230,000</td>
<td>$136,055,000</td>
</tr>
<tr>
<td>Insured Mortgage Programs</td>
<td>$6,056,990,000</td>
<td>$4,788,745,000</td>
</tr>
<tr>
<td>Revenue Bonds, Secured Loan and Other Programs</td>
<td>$2,414,240,000</td>
<td>$2,091,585,000</td>
</tr>
<tr>
<td>Total Non-Public Programs</td>
<td>$8,697,460,000</td>
<td>$7,016,385,000</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>$12,514,690,725</td>
<td>$9,906,631,812</td>
</tr>
</tbody>
</table>

**Governance**

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 460 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. One of the appointments to the Board by the Governor is currently vacant.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of 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:

THOMAS J. MURPHY, *Chair*, Albany.

Mr. Murphy is a Partner in Decision Strategies Group, a strategic planning and communications consulting firm. He is a former Partner and Senior Vice President of the Policy Economics Group. Mr. Murphy served in the New York State Assembly as Director of Operations, Director of Research and Program Development, and Budget Analyst for the Assembly Ways and Means Committee. He also served as Consultant to the Office of Planning in Higher Education in New York State. Mr. Murphy attended the Graduate School of Public Affairs, SUNY at Albany, and earned a Bachelor's Degree in Economics from Siena College. His term expires March 31, 1997.

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

Mr. Johnson is Editor and Publisher of the *Watertown Daily Times*. He is a trustee, emeritus, of St. Lawrence University at Canton, New York, and Chairman of the Council of the State University Medical Center, Syracuse, New York. Mr. Johnson's term expired on March 31, 1995 and by law he continues to serve until a successor shall be chosen and qualified.

GAIL H. GORDON, ESQ., *Secretary*, Slingerlands.

Gail H. Gordon is of counsel to the law firm of Helm, Shapiro, Anito & McCale, P.C., in Albany, New York where she is engaged in the private practice of law. Prior to joining the firm in 1993, Ms. Gordon served as Counsel to the Comptroller of the State of New York from 1987 to 1993 where she directed a legal staff of approximately 40 attorneys, was responsible for providing legal and policy advice to the State Comptroller and his deputies in all areas of the State Comptroller's responsibilities, including the supervision of accounts of public authorities and in the administration, as sole trustee, of the New York State Employees Retirement System and the Policeman's and Firemen's Retirement System. She served as Deputy Counsel to the Comptroller of the State of New York from 1983 to 1987. From 1974 to 1983, Ms. Gordon was an attorney with the law firm of Hinman, Howard & Kattell, Binghamton, New York, where
she concentrated in areas of real estate, administrative and municipal law. Ms. Gordon holds a Bachelor of Arts degree from Smith College and a Juris Doctor degree from Cornell University School of Law. Ms. Gordon's term expires on March 31, 1998.

PATRICK P. LEE, Orchard Park.

Mr. Lee is Chairman and Chief Executive Officer of International Motion Control, Inc. (IMC, Inc.) the holding company for a world-wide comprehensive organization in energy absorption and vibration isolation. The company is headquartered in western New York and has plants in Europe, the Far East and other parts of the United States. Mr. Lee is a member of the Board of Directors of the Greater Buffalo Partnership, the Western New York International Trade Council and the National Board of Trustees of the Leukemia Society of America. He is a Regent Emeritus of Canisius College. His term expires on August 31, 1998.

STEVEN N. FISCHER, C.P.A., J.D., Albany.

Mr. Fischer was appointed as a Member of the Authority by the Comptroller of the State of New York on August 31, 1995. Mr. Fischer is President and Chief Executive Officer of Urbach Kahn & Werlin PC, Albany, New York. Prior to his appointment as President, Mr. Fischer managed the firm's Tax Division and has served as Chairman of Urbach Hacker Young International, the entity responsible for international services to firm clients. He is a certified public accountant and an attorney. Mr. Fischer earned his Bachelor's Degree at City College of New York and his Juris Doctor Degree at New York University School of Law.

JOHN T. ROOHAN, Saratoga Springs.

Mr. Roohan was appointed as a Member of the Authority by the Temporary President of the State Senate on September 1, 1995. Mr. Roohan is President of Roohan Realty in Saratoga Springs, New York and is the past President of the Saratoga County Board of Realtors. Mr. Roohan has been an active member of his local community and is a past member of the Saratoga City Council. He received his Bachelor's Degree from Mount Saint Mary's College in Maryland.

LEON H. CHARNEY, Esq., New York City.

Mr. Charney was appointed as a Member of the Authority by the Speaker of the State Assembly on October 2, 1995. Mr. Charney is engaged in the practice of law in the City of New York and his primary areas of practice include corporate and theatrical law. During his career in the practice of law, he has served as counsel to several governmental and international organizations and to national and international government officials. He served as advisor to President Jimmy Carter from 1977-1980. Mr. Charney has been the recipient of many awards, including the Benjamin N. Cardozo School of Law's "Peace Prize" in recognition of his role with respect to the Camp David Peace Treaty and was the first recipient of the Israeli Government's "Ambassador's Award." He also served as Co-Chair of the New York State Israel Economic Partnership. Mr. Charney received his Bachelor of Arts degree and Bachelor of Hebrew Letters degree from Yeshiva University, and his Juris Doctor degree from Brooklyn Law School.

RICHARD P. MILLS, Commissioner of Education of the State of New York, Albany; ex-officio.

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills had served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

BARBARA ANN DEBUONO, M.D., M.P.H., Commissioner of Health of the State of New York, Albany; ex-officio.

Dr. DeBuono was appointed Commissioner of Health on January 31, 1995. Dr. DeBuono received her undergraduate and medical degrees from the University of Rochester and a Master's Degree in Public Health from Harvard University. In 1991, Dr. DeBuono was named Director of Health for the State of Rhode Island and served in that capacity until being confirmed as New York's Commissioner of Health. Prior to 1991, Dr. DeBuono served at the Rhode Island Department of Health in a variety of positions including Medical Director of the Office of Disease Control. Dr. DeBuono has held a number of teaching positions at Brown University Medical School and is a fellow of the American College of Physicians. Dr. DeBuono is Board Certified in Internal Medicine.
PATRICIA A. WOODWORTH, Director of the Budget of the State of New York, Albany; ex-officio.

Ms. Woodworth was appointed Director of the Budget on December 27, 1994. Ms. Woodworth served as Director of the Department of Management and Budget in Michigan from January 1991 and as Chief Financial Adviser to Governor John Engler of Michigan in November and December of 1990. From February 1988 to November 1990, Ms. Woodworth served as Director of the Office of Planning and Budgeting for the Executive Office of the Governor of Florida. She also served as Director of the Michigan Senate Fiscal Agency from September 1985 to February 1988 and prior to that, served in various positions in the Federal Government. Ms. Woodworth received her Bachelor of Arts degree from the University of Maryland.

The principal staff of the Authority is as follows:

JOHN L. BUONO is Executive Director and chief administrative and operating officer of the Authority and is responsible to the Authority for the management, operations and administration of its affairs. Mr. Buono has served in a number of positions in County Government over the past twenty-one years. He was elected three times as County Executive of Rensselaer County and held that office from 1986 until his appointment as Executive Director of the Dormitory Authority. He was elected three times as County Clerk of Rensselaer County and served in that office from 1978 to 1985. He also served as Deputy County Executive and Commissioner of Employment and Training for Rensselaer County. Mr. Buono has served as an Adjunct Professor at Hudson Valley Community College. He holds a Bachelor's Degree in Political Science from State University of New York at Albany and a Masters Degree in Public Administration from State University of New York at Albany, Graduate School of Public Affairs.

THEODORE A. HOLMES is the First Deputy Executive Director, General Counsel and an Assistant Secretary of the Authority. Mr. Holmes assists in the administration and coordination of all activity of the Authority and is responsible for intergovernmental relations, all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. Mr. Holmes, a member of the New York State Bar, has served in a number of capacities in State government, including Counsel and First Deputy Director of the New York State Housing Finance Agency and the New York State Medical Care Facilities Finance Agency, Assistant Counsel to the Governor and Associate Counsel to the State Comptroller.

DANIEL J. DUGAN is the Deputy Executive Director, Finance and Treasurer of the Authority. As chief financial officer, Mr. Dugan is responsible for investment management and accounting, as well as the development of financial policies and management and information systems of the Authority. Mr. Dugan, who has an M.S. degree in Accounting, was a Senior Manager of Peat, Marwick, Mitchell & Co. assigned to the government services practice in New York State. Prior to his systems consulting work with Peat, Marwick, Mitchell & Co. in Dallas, Texas, Mr. Dugan was Senior Vice President and Treasurer of Springer Corporation in Albuquerque, New Mexico. Mr. Dugan has owned and operated a private consulting practice, held various operating officer positions in commercial banking institutions, and conducted certified financial audits for an independent “Big Six” Certified Public Accounting firm.

SAM R. DAVIDSON is the Deputy Executive Director, Construction, and is responsible for the Authority’s operating groups, including design, construction, rehabilitation, purchasing, interior design, and engineering services. Mr. Davidson is a graduate of the U.S. Military Academy at West Point, has a M.S. from the University of Missouri and a Ph.D. from Rensselaer Polytechnic Institute. A licensed professional engineer, Mr. Davidson’s career includes extensive experience in the construction field. Prior to joining the Authority staff in December of 1981, Mr. Davidson served as an officer in the U.S. Army Corps of Engineers.

THOMAS A. DEVANE is the Deputy Executive Director, Program Development. He is responsible for the supervision and direction of the development of new programs for the Authority, the marketing of new programs to present and prospective clients of the Authority, and coordinates the activities of the Authority in the development, implementation, legislative authorization, and marketing of new programs. Mr. Devane’s undergraduate and graduate education were in accounting and public administration, and his entire public sector career has been with the Authority.

CHERYL ISHMAEL is the Deputy Executive Director, Planning and Financial Analysis. She conducts and coordinates financial feasibility studies for certain institutions, coordinates the production of disclosure documents in connection with the sale of Authority obligations and performs a variety of other duties related to the financial policies of the Authority. Ms. Ishmael has worked in finance in both the public and private sectors. She was a Managing Director of public finance at two New York City based investment banking firms. She served as Deputy Budget Director of the New York City Office of Management and Budget and as Director of Fiscal Studies for the New York State Senate Finance Committee. She also served as an Adjunct Professor at Columbia University. Ms. Ishmael holds a Bachelor's Degree in political science and journalism from Syracuse University and a Masters Degree in public administration from the State University of New York at Albany, Graduate School of Public Affairs.
THOMAS E. GUILEY is the Deputy Executive Director, Administration and Operations. He is responsible for the supervision and direction of the administrative and operational functions of the Authority, including human resources, management and information services, budgeting and strategic planning. Mr. Guiley has served in a number of capacities in State government, including Director, Public Authorities Unit, New York State Division of the Budget. Mr. Guiley holds a Bachelor's Degree in Political Science from Colgate University.

Claims and Litigation

Certain claims and litigation have been asserted or commenced against the Authority and are pending with respect to the design, construction and related activities in connection with some projects in certain of its programs. In addition, claims for water and sewer charges are being made by The City of New York and foreclosure proceedings related to those claims are being threatened or are pending. Further, in succeeding to the obligations of the Corporation pursuant to the Consolidation Act, the Authority has become involved in a number of legal disputes with various contractors and architects having contracts with the Corporation. These disputes relate to claims for extra work, late completion and other matters generally applicable to construction and architectural contracts. The Authority is not able to assess what additional liability, if any, may result from such claims and litigation. However, 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 the legal power and ability to seek 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 1996 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.

Independent Auditors

The accounting firm of Coopers & Lybrand LLP has been engaged to audit the financial statements of the Authority for the fiscal year ended March 31, 1996. Copies of the most recent audit are available upon request at the offices of the Authority.

PART 6 - LEGALITY OF THE 1996 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the 1996 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 of the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual public benefit corporations and authorities of the State may limit the investment of funds of such authorities in the 1996 Bonds.

The 1996 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.
PART 7 - NEGOTIABLE INSTRUMENTS

The 1996 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the 1996 Bonds.

PART 8 - TAX TREATMENT

The following summary of certain State of New York and United States federal income tax consequences of the purchase, ownership and disposition of the 1996 Bonds is based on existing law, which is subject to change. The summary deals only with 1996 Bonds held as capital assets and does not deal with persons in special situations, such as financial institutions, insurance companies, dealers in securities or currencies, persons holding 1996 Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Persons considering a purchase of the 1996 Bonds should consult their own tax advisors concerning the application of United States federal income tax laws to their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

Payment of Interest

Interest on the 1996 Bonds is includible in federal gross income. For federal income tax purposes, interest on the 1996 Bonds (other than interest on a Discount 1996 Bonds, as defined below that is not a payment of “qualified stated interest” as defined below under “Original Issue Discount”) will be taxable to a holder thereof as ordinary interest income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. Interest on the 1996 Bonds will be exempt from personal income taxes imposed by the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

Original Issue Discount

The following summary is a general discussion of State of New York and certain federal income tax consequences of the purchase, ownership and disposition of the 1996 Bonds issued with original issue discount (“Discount 1996 Bonds”).

In General. In general, a 1996 Bond will be treated as having been issued at an original issue discount if the excess of its “stated redemption price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the 1996 Bonds of the same maturity have been sold) equals or exceeds one quarter of one percent of such 1996 Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date.

A 1996 Bonds’ “stated redemption price at maturity” is the total of all payments provided by the 1996 Bond that are not payments of “qualified stated interest.” Generally, the term “qualified stated interest” includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount 1996 Bond is the sum of the “daily portions” of original issue discount with respect to such 1996 Bond for each day during the taxable year (or portion of the taxable year) on which such holder held such 1996 Bond. The daily portion of original issue discount on any Discount 1996 Bond is determined by allocating to each day in any “accrual period” a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount 1996 Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs on the final or the first day of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount 1996 Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount 1996 Bond at the beginning of any accrual period is the sum of the issue price of the Discount 1996 Bond plus the amount of original
issue discount allocable to all prior accrual periods minus the amount of any prior payments on the 1996 Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods. The amount of original issue discount allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short period are of equal length. The amount of original issue discount allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the 1996 Bond (other than qualified stated interest) and (ii) the 1996 Bond’s adjusted issue price as of the beginning of the final accrual period.

Holders utilizing the accrual method of accounting may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on the 1996 Bonds by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

**Short-Term Discount 1996 Bonds.** In general, an individual or other cash basis holder of any Discount 1996 Bond that matures one year or less from the date of issuance (a “Short-Term Discount 1996 Bond”) is not required to accrue original issue discount for United States federal income tax purposes unless it elects to do so. Accrual basis holders and certain other holders are required to accrue the original issue discount on Short-Term Discount 1996 Bonds on a straight-line basis unless an election is made to accrue the original issue discount under the constant yield method (based on daily compounding). In the case of holders that are required or elect to accrue original issue discount currently, the amount of accrued original issue discount that is included in income will be added to the holder’s basis in the Discount 1996 Bond. In the case of a holder not required and not electing to include original issue discount income currently, any gain realized on the sale or retirement of a Short-Term Discount 1996 Bond will be ordinary income to the extent of the original issue discount accrued on a straight-line basis (unless an election is made to accrue the original issue discount under the constant yield method) through the date of sale or retirement. Holders who are not required, and do not elect, to accrue the original issue discount on Short-Term Discount 1996 Bonds will be required to defer deductions for interest on borrowings allocable to Short-Term Discount 1996 Bonds in an amount not exceeding the deferred income until the deferred income is realized.

**Pre-Issuance Accrued Interest.** If (i) a portion of the initial purchase price of a 1996 Bond is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the 1996 Bond is to be made within one year of the 1996 Bond’s issue date, and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the holder may elect to decrease the issue price of the 1996 Bond by the amount of pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the 1996 Bond.

**Premium**

If a subsequent holder purchases a Discount 1996 Bond with “acquisition premium,” then the amount includible in such holder’s income as original issue discount for a taxable year, or any portion thereof in which the holder holds such 1996 Bond, will be reduced by a fraction, the numerator of which is the excess of the holder’s adjusted basis in the 1996 Bond immediately after its purchase over the adjusted issue price of the 1996 Bond, and the denominator of which is the excess of the sum of all amounts payable on the 1996 Bond after the purchase date, other than payments of qualified stated interest, over the 1996 Bond’s adjusted issue price. For this purpose, a Discount 1996 Bond will be treated as purchased at an “acquisition premium” if it is not purchased at “premium,” as defined below, and if its adjusted basis immediately after purchase (including a purchased at original issue) is greater than it adjusted issue price.

If a holder purchases a 1996 Bond at a “premium,” the holder may elect to amortize such premium under Section 171 of the Code using the constant yield method over the remaining term of such 1996 Bond, in which case the amount required to be included in the holder’s income each year with respect to interest on the 1996 Bond will be reduced by the amount of the amortizable premium allocable (based on the 1996 Bonds’ yield to maturity) to such year. For this purpose, a Discount 1996 Bond will be treated as having been purchased at a “premium” if and to the extent that the 1996 Bonds’ adjusted basis immediately after its purchase by the holder exceeds the sum of all amounts payable on the 1996 Bond after the purchase date, other than payments of qualified stated interest. Any such election shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the holder, and is irrevocable without
the consent of the Service. A holder who elects to amortize premium must reduce its tax basis in the related obligations by the amount of the aggregate deductions allowable for the premium.

Market Discount

A subsequent holder of a 1996 Bond will be subject to the “market discount” rules of the Code if such holder acquires a 1996 Bond that has a term of more than one year from its issue date at a market discount that is greater than the de minimis amount described below. “Market discount” is defined as the excess of (i) the debt instrument’s stated redemption price at maturity, or, in the case of a Discount 1996 Bond, its adjusted issue price, over (ii) the subsequent holder’s basis for the debt instrument immediately after its acquisition by such holder. However, under a de minimis rule, if such excess is less than one quarter of one percent of the stated redemption price at maturity of the 1996 Bond multiplied by the number of complete years to maturity remaining after such holder acquired the 1996 Bond, market discount is deemed to be zero.

A holder of a 1996 Bond containing market discount generally will be required to treat any principal (or, in the case of a Discount 1996 Bond, any payment other than a payment of qualified stated interest) on, or any gain realized on the sale or exchange (including by reason of redemption or retirement) of, a 1996 Bond as ordinary income to the extent of the market discount that has accrued during the time the holder held the 1996 Bond and that has not previously been included in income. The market discount will be considered to accrue ratably, unless such holder elects to accrue the market discount on a constant interest rate basis (which election, once made, is irrevocable as to that instrument).

The market discount rules also require the deferral of a portion of any interest deduction on debt incurred or continued in order to purchase or carry a 1996 Bond containing market discount, to the extent such interest does not exceed the market discount accrued on the 1996 Bond during the holder’s holding period. Such deferred deductions are generally allowed when the market discount is included in income.

A holder may elect to include market discount in income currently as it accrues (on either a ratable or constant interest rate basis, as the case may be) on all obligations acquired by such holder or after the first day of the taxable year in which the election is made. Such election, once made, is irrevocable without the consent of the Internal Revenue Service. Neither the rule requiring characterization of gain as ordinary income nor the rule requiring the deferral of interest deductions will apply to a holder who so elects to include market discount in income as it accrues.

holders should consult their own tax advisors regarding the application of the de minimis rule to a 1996 Bond and regarding the advisability of making any elections allowed under the market discount, or any other, rules discussed herein.

Purchase, Sale and Retirement of the 1996 Bonds

A holder’s basis in a 1996 Bond will be its cost increased by the amount of any original issue discount (and market discount) previously included in the holder’s income with respect to the 1996 Bond and reduced by the amount of any payments on the 1996 Bond that are not qualified stated interest payments, and by the amount of any amortizable bond premium applied to reduce interest or original issue discount on the 1996 Bond. A holder will recognize gain or loss upon the actual or deemed sale or retirement of a 1996 Bond equal to the difference between the amount realized upon the sale or retirement (other than amounts attributable to accrued interest if the interest constitutes qualified stated interest) and the tax basis in the 1996 Bond. Subject to the original issue discount, market discount and amortizable bond premium rules discussed above, such gain or loss will be long-term capital gain or loss if, at the time of such sale or retirement, the 1996 Bond has been held for more than one year.

Holders of the 1996 Bonds should be aware that for federal income tax purposes the deposit by the Authority of monies or Government Obligations with the Trustee and the release of the Indenture (a “defeasance”) could result in the recognition by the holder of taxable income (or loss), without any corresponding receipt of monies by the holder. In addition, for federal income tax purposes, the character and time of receipt of payments on the 1996 Bonds subsequent to any such defeasance could also be effected. Holders are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

United States Federal Income Tax Considerations for Foreign Holders

Set forth below is a summary of certain U.S. federal income tax consequences for Foreign Holders of the 1996 Bonds. For purposes of this discussion, “Foreign Holder” means any person who, for U.S. federal income tax purposes, is a
foreign corporation, a nonresident alien individual, a nonresident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for U.S. federal income tax purposes, a foreign corporation, a nonresident alien individual, or a nonresident alien fiduciary of a foreign estate or trust.

Subject to the discussion of backup withholding below, interest including OID, if any, paid to a Foreign Holder will not be subject to U.S. withholding taxes (by reason of the “portfolio interest” exemption), provided the Foreign Holder is not a bank whose receipt of interest is described in section 881(c)(3)(A) of the Code, and the Foreign Holder, or a financial institution holding the 1996 Bond on behalf of such Foreign Holder, delivers to the United States entity otherwise required to withhold tax, an IRS Form W-8 signed under the penalties of perjury by the Foreign Holder stating that the Foreign Holder is not a U.S. person and providing such Foreign Holder’s name and address. In addition, such interest will not be subject to U.S. withholding tax if it is “effectively connected” with the conduct by the Foreign Holder of a trade or business in the United States and an IRS Form 4224 to such effect is properly delivered, pursuant to applicable procedures, by the Foreign Holder, or by a financial institution holding the 1996 Bond on behalf of such Foreign Holder, to the United States entity otherwise required to withhold tax. Finally, such interest will not be subject to U.S. withholding taxes (or will be subject to withholding at a reduced rate) if the Foreign Holder, or a financial institution holding the 1996 Bond on behalf of such Foreign Holder, properly transmits an IRS Form 1001 signed by the Foreign Holder or such Foreign Holder’s agent claiming exemption from withholding or reduction in the applicable rate under an applicable tax treaty. See “Appendix F - Global Clearance, Settlement and Tax Documentation.”

A Foreign Holder of a 1996 Bond that is a nonresident alien or foreign corporation will not be subject to U.S. Federal income tax on gain realized on the sale, exchange or redemption of such 1996 Bond, provided that (i) such gain is not effectively connected with a trade or business carried on by the Foreign Holder in the United States, (ii) in the case of a Foreign Holder that is an individual, such Foreign Holder is not present in the United States for 183 days or more during the taxable year in which such sale, exchange or redemption occurs, and (iii) in the case of gain representing accrued interest, the conditions described in the immediately preceding paragraph relating to exemption from U.S. withholding taxes are satisfied.

**Backup Withholding and Information Reporting**

In general, information reporting requirements will apply to the payment of principal, premium (if any) and interest (including original issue discount) made on a 1996 Bond, as well as the proceeds of the sale of a 1996 Bond to noncorporate holders (both Foreign and U.S. Holders), and a 31% “backup withholding” (separate from the U.S. withholding tax applicable to certain Foreign Holders, as discussed above under “United States Federal Income Tax Considerations for Foreign Holders”) will apply to such payments if such holder fails to provide an accurate taxpayer identification number (on a Form W-9, in the case of a U.S. Holder, or in the case of a Foreign Holder, on Form W-8 or by otherwise certifying that such Holder is not subject to backup withholding) or, under certain circumstances, to report all interest and dividends required to be shown on its federal income tax return.

The Authority is required to report to the Internal Revenue Service the amount of original issue discount accrued on Discount 1996 Bonds held of record by holders other than corporations and certain other exempt holders. The amount of original issue discount required to be reported by the Authority may not equal the amount of original issue discount required to be reported as taxable income by a holder of such Discount 1996 Bonds.

**PART 9 - STATE NOT LIABLE ON THE 1996 BONDS**

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the 1996 Bonds shall not be a debt of the State nor shall the State be liable thereon.

**PART 10 - 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, among other things, limit or alter the rights vested in the Authority to fulfill Financing 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 Financing 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 Financing Agreements with the Authority and with the holders of the Authority's notes or bonds.

PART 11 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the 1996 Bonds by the Authority are subject to the approval of Haythe & Curley, New York, New York, Bond Counsel, whose approving opinion will be delivered with the 1996 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins, Delafield & Wood, New York, New York.

There is no pending litigation restraining or enjoining the issuance or delivery of the 1996 Bonds or questioning or affecting the validity of the 1996 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 funding of the Pension Fund Liability in accordance with the provisions of the Act, the Resolution and the Financing Agreement.

PART 12 - UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1996 Bonds from the Authority at an aggregate purchase price, inclusive of original issue discount, in the amount of $769,174,479.00 and exclusive of accrued interest of $3,949,855.97 and to make a public offering of the 1996 Bonds at prices that are not in excess of the public offering prices stated on the cover page of this Official Statement plus accrued interest. The Underwriters will be obligated to purchase all such 1996 Bonds if any are purchased.

The 1996 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 13 - GENERAL INFORMATION

1. The terms of the 1996 Bonds have been authorized by the Resolution or pursuant to a 1996 Issue Certificate executed pursuant thereto. The 1996 Bonds and the Resolution are governed by and construed in accordance with the laws of the State of New York.

2. The 1996 Bonds have been accepted for clearance through Euroclear and Cedel Bank under the following common codes, ISIN numbers and CUSIP numbers:

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<th>Maturity</th>
<th>CUSIP Numbers</th>
<th>Common Codes</th>
<th>ISIN</th>
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<td>7102291</td>
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3. Application has been made to list the 1996 Bonds on the Luxembourg Stock Exchange.

4. No Luxembourg paying agent has been appointed by the Authority with respect to the 1996 Bonds. In the event that the 1996 Bonds are issued in definitive form, the Authority has agreed to appoint such agent in Luxembourg. Pending such appointment, Kredietbank S.A. Luxembourggoise, the Luxembourg listing agent, will act as intermediary in Luxembourg between holders of the 1996 Bonds and the Authority. If the 1996 Bonds shall at any time be issued in definitive form, Foreign Holders thereof may present the 1996 Bonds at the office of the Luxembourg paying agent for transfer.

5. Copies of the Act, Resolution, Financing Agreement, Continuing Disclosure Agreement and the most recent Annual Information and Notices, if any, will be available at the specified office of Kredietbank S.A. Luxembourggoise, the listing agent in Luxembourg.

6. Except as disclosed herein, the Authority is not involved in any litigation or arbitration proceedings which are material in the context of the issue of the 1996 Bonds nor so far as it is aware are any such proceedings pending or threatened.

7. Notices to Bondholders, so long as the 1996 Bonds are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxembourg Wort) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which the publication is made.

8. The principal office of the Authority is 161 Delaware Avenue, Delmar, New York 12054. The principal office of the Trustee and Paying Agent, in the United States, is 114 West 47th Street, 15th Floor, New York, New York 10036. The principal office of the listing agent is 43 Boulevard Royal, L-2955, Luxembourg.

PART 14 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Authority, the State and each Trustee will enter into a written Agreement (the "Continuing Disclosure Agreement") for the benefit of the holders of the 1996 Bonds to provide continuing disclosure. The State will undertake for the benefit of the holders of the 1996 Bonds to provide 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 on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 1997, financial and operating data (referred to herein as the "Annual Information" and described in more detail below) of the type included in the Annual Information Statement of the State set forth in Appendix B. The State Comptroller is required by existing law to issue audited annual financial statements of the State 120 days after the close of the State fiscal year, and the State will undertake to provide the State's annual financial statements prepared in accordance with generally accepted accounting principles ("GAAP") and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards to each Repository and to the State Information Depository, if and when such statements are available. In addition, the Authority will undertake, for the benefit of the holders of the 1996 Bonds, to provide to each such Repository or the Municipal Securities Rulemaking Board ("MSRB") and to the State Information Depository, in a timely manner, the notices described below (the "Notices").

The Annual Information shall consist of (a) financial and operating data of the type included in the Annual Information Statement of the State under the headings or sub-headings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems," and "Authorities and Localities," including, more specifically, information consisting of (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (b) such narrative explanation as may be necessary to avoid...
misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning, and in judging the financial condition of, the State.

The Notices include notices of any of the following events with respect to the 1996 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 security; (7) modifications to rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Authority will undertake, for the benefit of the Holders of the 1996 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State’s undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Authority, and no person, including any Holder of the 1996 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder by any Holder of Outstanding 1996 Bonds or by a Trustee on behalf of the Holders of Outstanding 1996 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by a Trustee on behalf of the Holders of Outstanding 1996 Bonds; provided, however, that a Trustee may not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of 1996 Bonds at the time Outstanding under the applicable Resolution. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without Bondholders’ consent under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the 1996 Bonds will be on file at the principal office of the Authority.

PART 15 - SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning the State included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the 1996 Bonds, as to the accuracy of such information provided or authorized by it.

Certain officers of the State have been authorized by the State to include the State Information in this Official Statement and will certify to the Authority that the statements of material fact concerning the State and the State Resources contained in the State Information provided to the Authority are true, correct and complete and do not fail to state any material fact necessary in order to make the statements of fact made therein, in the light of the circumstances under which they were made, not misleading.

The State. The State provided the information relating to the State in "Appendix B - Information Concerning the State of New York."

The Director of the Budget of the State of New York will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and no facts have come to her attention that would lead her to believe that such
statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in the Annual Information Statement which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that she believes to be reliable and she has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in such Annual Information Statement under the caption "Litigation" such statements and information as to legal matters are given to the best of her information and belief, having made such inquiries as she deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. This certification applies both as of the date of the Official Statement and on the date of delivery of the 1996 Bonds.

The State Department of Audit and Control has informed the Authority that it has reviewed the historical and financial information with respect to the State contained in Appendix B hereto, but since bonds of the Authority are not a direct obligation of the State, the State Comptroller, the chief auditor and fiscal officer of the State, will not certify to such information.


DTC. 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.

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

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the 1996 Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the State, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered owners of the 1996 Series A Bonds are fully set forth in the Resolution (including any Supplemental Resolutions thereto), and neither any advertisement of the 1996 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the 1996 Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

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/ John L. Buono
Authorized Officer
DEFINITIONS
DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution or the Financing Agreement and used in this Official Statement.

"Accreted Value" means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Resolution or in the Refunding Issue Resolution authorizing such Capital Appreciation Bond or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates;

"Act" means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law, as amended);

"Annual Payments" means the payments due and payable by the State to the Authority during a Bond Year, as provided for and computed in accordance with the provisions of Section 4.02(a) of the Financing Agreement;

"Annual Administrative Fee" means a fee payable during each Bond Year, not to exceed $10,000, for (i) a portion of the general administrative and overhead expenses of the Authority allocated in accordance with a formula established by the Authority and (ii) the fees and expenses incurred by the Authority pursuant to law or otherwise in carrying out its duties under the Financing Agreement and under the Resolution or as a consequence of Bonds remaining outstanding, including, without limitation, accounting, financial advisory and legal expenses incurred by the Authority, and the fees and expenses of the Trustee, any Paying Agents or other fiduciaries acting under the Resolution;

"Appreciated Value" means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Resolution or in the Refunding Issue Resolution authorizing such Deferred Income Bond or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date;

"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.

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

"Authorized Officer" means (i) in the case of the Authority, the Chairman, the Vice-Chairman, the Treasurer, the Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, a Deputy Executive Director, the General Counsel, the Deputy General Counsel, an Associate Counsel, the Director, Asset Management, and the Comptroller, and when used with reference to any act or document also means any other person authorized by resolution or by-laws of the Authority to perform such act or execute such document; (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document also means any associate or assistant to the Director of the Budget duly appointed pursuant to applicable law and authorized to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, Corporate Trust
Appendix A

Officer, Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to resolution or bylaws of the Board of Directors of the Trustee;

"Bond" or "Bonds" means any of the 1996 Bonds and any Refunding Bonds of the Authority authorized and issued pursuant to the Resolution and a Refunding Issue Resolution;

"Bond Counsel" means the Attorney General of the State or an attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal Bonds;

"Bond Year" means a period of twelve (12) consecutive months beginning October 1 in any calendar year and ending on September 30 of the succeeding calendar year, provided that the first Bond Year shall commence on the 1996 Issue Closing Date and end on September 30, 1997, or such other period with respect to an Issue of Bonds as shall be set forth in the resolution authorizing such Bonds;

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

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

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

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

"Comptroller" means the Comptroller of the State of New York, any Deputy Comptroller or any other person duly authorized by applicable law of the State to perform the duties and responsibilities of the Comptroller.

"Costs" or "Costs of Issuance" means the items of expense incurred in connection with the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, costs and expenses of refunding Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

"Credit Facility" means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a saving and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance herewith or with the Refunding Issue Resolution authorizing such Bonds or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, whether or not the Authority is in default under the Resolution or the State is in default under the Financing Agreement;

"Debt Service Fund" means the fund so designated, created and established pursuant to Section 5.02 of the Resolution;

"Defeasance Securities" means direct obligations of the United States of America or Exempt Obligations, provided that such Exempt Obligations (i) are, and until the maturity date or redemption date thereof, secured by and payable from the principal of or interest payments on direct obligations of the United States of America and (ii) are rated by Moody’s and S&P’s in the highest rating category of each such rating service for such Exempt Obligations;
“Deferred Income Bond” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on April 1 and October 1 of each Bond Year;

“Depository” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Resolution or in the Refunding Issue Resolution authorizing an Issue of Bonds or a 1996 Issue Certificate or Refunding Issue Certificate relating to an Issue of Bonds, as the case may be, to serve as securities depository for the Bonds of such Issue;

“Director of the Budget” means the Director of the Budget of the State of New York and, in the event such office is vacant, or in the event the Director of the Budget is absent from his office or in the event of the inability to act of the Director of the Budget, the person duly authorized by applicable law of the State to perform the duties and responsibilities of the Director of the Budget;

“Exempt Obligation” means 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, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “A-” or “-A” or numerical notation, “A” or better by Moody’s and S&P, or, if such obligation is not rated by Moody’s and S&P, by Moody’s or S&P, or, if such obligations is rated by neither Moody’s nor S&P, has been assigned a comparable rating by another nationally recognized rating service, but in no event rated lower than the lowest rating on Outstanding Obligations assigned by Moody’s or S&P;

“Financing Agreement” means the Financing Agreement executed by and among the Authority and the State, dated as of the date of the adoption of the Resolution, as from time to time amended or supplemented by Supplemental Agreements in accordance with the terms and provisions of the Resolution and of the Financing Agreement;

“Government Obligation” means a direct obligation of the United States of America, an obligation the principal of, and interest on, which is guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, an obligation of a federal agency approved by the Authority, and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations or the United States of America;

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

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Resolution or in the Refunding Issue Resolution authorizing such Bond or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on April 1 and October 1 of each Bond Year;

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

“Issue” means all of the 1996 Bonds authenticated and delivered on original issuance and pursuant to the Resolution and all succeeding issues of Refunding Bonds authenticated and delivered pursuant to the Resolution and to any applicable Refunding Issue Resolution or applicable Refunding Issue Certificate authorizing such Bonds as a separate Issue of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 4.06 or Section 10.06 of the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions;

“Liquidity Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the
Appendix A

International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Resolution or of the Refunding Issue Resolution authorizing such Bonds or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be;

“Maximum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Resolution or in the Refunding Issue Resolution authorizing such Bond or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, that shall be 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 Resolution or in the Refunding Issue Resolution authorizing such Bond or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, that shall be the minimum rate at which such Bond may bear interest at any time;

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns;


“1996 Issue Certificate” means a Certificate of the Authority fixing terms, conditions and other details of the 1996 Bonds in accordance with the delegation of power to do so under the Resolution;

“1996 Issue Closing Date” means the date the 1996 Bonds are issued under the Resolution and delivered to the original purchaser thereof.

“Option Bond” means any Bond which by its terms may 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 thereof, or the maturity of which may be extended by and at the option of the Holder thereof;

“Outstanding,” when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution or under any applicable resolution except (i) Bonds cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with Section 12.01 of the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article III, Section 4.06 or Section 10.06 of the Resolution and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Resolution or of the Refunding Issue Resolution authorizing such Bonds or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, which have been purchased by or on behalf of the Authority and in lieu of or substitution for which another Bond shall have been authenticated and delivered pursuant to Article III, provided that interest thereon shall have been paid through such tender or purchase date thereof and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution or in the Refunding Issue Resolution authorizing such Bonds or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be;

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

“Pension Fund Liability” means all amounts to be amortized and paid by the State pursuant to Section 16-a of the Retirement and Social Security Law, as amended, as certified by the Comptroller pursuant to Section 5.04(2) of the Resolution;
“Qualified Financial Institution” means (i) 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 savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, A or better by Moody’s and S&P, or, if such obligations are not rated by Moody’s and S&P, by Moody’s or S&P, or if such obligations are rated by neither Moody’s nor S&P, have been assigned a comparable rating by another nationally recognized rating service, but in no event shall such obligations be rated at the time an Investment Agreement is entered into by the Authority lower than the lowest rating assigned by Moody’s or S&P to any Outstanding Bonds or (ii) 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;

“Redemption Price,” when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to any applicable Refunding Issue Resolution or a 1996 Issue Certificate or a Refunding Issue Certificate, as the case may be;

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

“Resolution” means the Federally Taxable Pension Obligation Bond Resolution of the Authority, adopted October 23, 1996, as from time to time amended or supplemented by Supplemental Resolutions or Refunding Issue Resolutions in accordance with the terms and provisions thereof;

“Refunding Issue Certificate” means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under a Refunding Issue Resolution;

“Refunding Issue Resolution” means a resolution of the Authority authorizing the issuance of an Issue of Bonds adopted by the Authority pursuant to Section 2.04 of the Resolution;

“Revenues” means all payments made by the State pursuant to Section 4.02(a) of the Financing Agreement, the right to receive the same and the proceeds thereof and of such right;

“S&P’s” 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 the Resolution or in a Refunding Issue Resolution or a 1996 Issue Certificate or a Refunding Issue Certificate, as applicable;

“Sinking Fund Installment” means, as of any date of calculation and with respect to any Issue of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required hereby or by the Refunding Issue Resolution pursuant to which such Bonds were issued or by any applicable 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, to be paid on a single future April 1 or October 1, or such other date or dates set therefor in any resolution authorizing such Bonds, for the retirement of any Outstanding Bonds of said Issue which mature after said future April 1 or October 1, or such other date or dates set therefor in any resolution authorizing such Bonds, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and each said future April 1 or October 1, or such other date or dates set therefor in any resolution authorizing such Bonds, as the case may be, 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;

“Standby Purchase Agreement” means an agreement by and between the Authority and another person pursuant to which such person is obligated to purchase Option Bonds tendered for purchase;

“State” means the State of New York and, in respect of obligations of the State under the Resolution, means the people of the State of New York acting by and through the Director of the Budget of the State;
Appendix A

"State Finance Law" means the State Finance Law of the State, as amended by the Act, and except as otherwise specified in the Resolution;

"Supplemental Agreement" means any agreement amending or supplementing the Financing Agreement or any Supplemental Agreement, executed and becoming effective in accordance with the terms and provisions of the Resolution and of the Financing Agreement;

"Supplemental Resolution" means any resolution of the Authority amending or supplementing the Resolution, any Refunding Issue Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provision of Article IX of the Resolution;

"Term Bonds" means the Bonds so designated in the Resolution or in a Refunding Issue Resolution or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, and payable from Sinking Fund Installments;

"Trustee" means the bank or trust company appointed as Trustee for the Bonds pursuant to Section 8.01 of the Resolution and having the duties, responsibilities and rights provided for in the Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution;

"Valuation Date" means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Resolution or in the Refunding Issue Resolution authorizing such Bond or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Resolution or in the Refunding Issue Resolution authorizing such Bond or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, in which specific Appreciated Values are assigned to such Deferred Income Bond;

"Variable Interest Rate" means a variable interest rate or rates to be borne by an Issue of Bonds or any one or more maturities within an Issue of Bonds, the method of which computing such variable interest rate is specified in the Resolution or in the Refunding Issue Resolution authorizing such Bonds or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, and 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) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; provided that such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in the Resolution or in such Refunding Issue Resolution or a 1996 Issue Certificate or Refunding Issue Certificate or (ii) a stated interest rate that may be changed from time to time as provided in the Resolution or in the Refunding Issue Resolution authorizing such Bonds or a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be; and provided that such interest rate shall be subject to a Maximum Interest Rate; and provided, further, that the Resolution or such Refunding Issue Resolution or 1996 Issue Certificate or Refunding Issue Certificate shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective; and

"Variable Interest Rate Bond" means any Bond which bears a Variable Interest Rate, provided that any 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.
INFORMATION CONCERNING
THE STATE OF NEW YORK
Appendix B

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

The State Legislature is not legally obligated to appropriate amounts for the payment of principal of, sinking fund installments, if any, or interest on the bonds to which this Official Statement relates. For information about the sources of payment of such bonds, the foregoing Official Statement to which this Appendix B is attached should be read in its entirety. The continued willingness and ability of the State, however, to make the appropriations and otherwise provide for the payments contemplated in the foregoing Official Statement, and the market for and market prices of the bonds, may depend in part upon the financial condition of the State.

Appendix B contains the Annual Information Statement of the State of New York (AIS), as updated or supplemented to the date specified therein. It has been supplied by the State to provide information about the financial condition of the State in the official statements of all issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

The AIS set forth in this Appendix B is dated July 26, 1996 and contains information only through that date. It has been updated on October 29, 1996 for specified information only through that date. Appendix B sets forth the section of the AIS entitled “Current Fiscal Year.” The remaining sections of the AIS set out under the headings “Prior Fiscal Years,” “Economics and Demographics,” “Debt and Other Financing Activities,” “State Organization,” “Authorities and Localities,” “Litigation,” and “Exhibits” are hereby included by cross-reference. The entire AIS, as updated or supplemented as described therein, will also be part of the official statements of the State prepared in connection with the issuance of the State’s general obligations. The entire AIS was filed with each nationally Recognized Municipal Securities Information Repository (NRMSIR) on July 29, 1996. A copy of the AIS may be obtained by contacting a NRMSIR, or the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. For a description of the agreement of the State to provide continuing disclosure relating to certain portions of the AIS, see “Continuing Disclosure under SEC Rule 15c2-12” of the foregoing Official Statement.

The General Purpose Financial Statements of the State of New York for the State fiscal year ended March 31, 1996 were prepared by the State Comptroller in accordance with generally accepted accounting principles and independently audited in accordance with generally accepted auditing standards. The General Purpose Financial Statements were issued on July 26, 1996, and have been referred to or set forth thereafter in appendices of information concerning the State in official statements of the State and certain of its public authorities. The General Purpose Financial Statements of the State for the State fiscal year ended March 31, 1996 may be obtained by contacting the Office of the State Comptroller, Gov. A.E. Smith State Office Building, Albany, NY 12236 Tel: (518) 474-4015.

The Annual Information Statement of the State of New York (including any and all supplements and updates thereto) may not be included in an Official Statement or included by reference in an Official Statement without the express written authorization of the State of New York, Division of the Budget, State Capitol, Albany, NY 12224.
Appendix B

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Update to the Annual Information Statement of the State of New York
Dated October 29, 1996

This update to the Annual Information Statement of the State of New York is dated October 29, 1996 and contains information only about the specific matters described herein and only through that date. This is the first update to the Annual Information Statement of the State of New York dated July 26, 1996, which should be read in its entirety. Information concerning significant events that occur between updates may be presented in a supplement, which would be set forth immediately before the Annual Information Statement or any update thereto. The State intends to announce publicly when an update or a supplement is issued.

The Annual Information Statement, updates and any supplements can be obtained, when prepared, by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or the Office of the State Comptroller, Gov. A.E. Smith State Office Building, Albany, NY 12236, Tel: (518) 474-4015.

This update presents the results of the Mid-Year Update to the 1996-97 State Financial Plan on a cash-basis, summarizes the most recent GAAP-basis projections for the current fiscal year, and presents additional information about the State under the section "Special Considerations."

Current Fiscal Year (1996-97 State Financial Plan)

The State is required to issue Financial Plan updates to the cash-basis State Financial Plan in July, October, and January, respectively. These quarterly updates reflect analysis of actual receipts and disbursements for each respective period, and revise estimates of receipts and disbursements for the then current fiscal year. The First Quarter Update was incorporated into the cash-basis State Financial Plan of July 25, 1996.

Mid-Year Update

The State issued its first update to the cash-basis 1996-97 State Financial Plan (the "Mid-Year Update") on October 25, 1996. Revisions have been made to estimates of both receipts and disbursements based on: (1) updated economic forecasts for both the nation and the State, (2) an analysis of actual receipts and disbursements through the first six months of the fiscal year, and (3) an assessment of changing program requirements (see Table A-3 ). The Mid-Year Update reflects a balanced 1996-97 State Financial Plan, with a reserve for contingencies in the General Fund of $300 million. This reserve will be utilized to help offset a variety of potential risks and other unexpected contingencies that the State may face during the balance of the 1996-97 fiscal year (for a discussion of those risks, see the section entitled "Special Considerations" below).

The State also updated its forecast of national and State economic activity through the end of calendar year 1997 to reflect the stronger-than-expected growth in the first half of 1996. The national economic forecast has been changed slightly from the initial forecast on which the original 1996-97 State Financial Plan was based. The revised forecast projects real Gross Domestic Product growth in the nation of 2.5 percent for 1996 and 2.4 percent in 1997. The inflation rate is expected to be 3.0 percent in 1996 and 2.9 percent in 1997. The annual rate of job growth is expected to slow gradually to about 1.8 percent in 1997, down from 2.2 percent in 1996. Growth in personal income and wages are expected to slow accordingly.

The State economic forecast has been changed slightly from the one formulated with the July 1996-97 State Financial Plan. Moderate growth is projected to continue through the second half of 1996, with employment, wages and incomes continuing their modest rise. Personal income is projected to increase by 5.2 percent in 1996 and 4.7 percent in 1997, reflecting robust projected wage growth fueled in part by financial sector bonus payments. Overall employment growth will continue at a moderate rate, reflecting the slowdown in the national economy, continued spending restraint in government, and restructuring in the health care and financial sectors.

The revised national and State economic forecasts through calendar year 1997 are displayed in Table A-1 and Table A-2 below:

Update - 1
Table A-1

Economic Indicators for the United States

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<tr>
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<td>5.0</td>
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<td>3.1</td>
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<td>2.6</td>
<td>2.8</td>
<td>3.0</td>
<td>2.9</td>
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</table>

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects adjustments by source agencies to figures for prior years.

(1) As projected by the State Division of the Budget, based on National Income and Product Account and employment data through August 1996.

Table A-2

Economic Indicators for New York State

<table>
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<td>%</td>
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<tr>
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<td>7818.7</td>
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<td>%</td>
<td>(2.0)</td>
<td>0.3</td>
<td>0.9</td>
<td>0.6</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>UPR</td>
<td>8.6</td>
<td>7.8</td>
<td>6.9</td>
<td>6.3</td>
<td>6.4</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects adjustments by source agency to figures for prior years and certain adjustments to published data by the State Division of the Budget.

(1) As projected by the State Division of the Budget, based on National Income and Product Account data through August 1996.

(2) Historical personal income numbers also reflect a treatment of once-a-year wage payments (mostly bonuses) that differs from the method used by the Bureau of Economic Analysis.

Actual receipts through the first two quarters of the 1996-97 State fiscal year reflect stronger-than-expected growth in most taxes, with actual receipts exceeding expectations by $276 million. Based on the revised economic outlook and actual receipts for the first six months of 1996-97, projected General Fund receipts for the 1996-97 State fiscal year have been increased by $420 million. Most of this projected increase is in the yield of the personal income tax ($241 million), with additional increases now expected in business taxes ($124 million) and other tax receipts ($49 million). Projected collections from user taxes and fees have been revised downward slightly ($5 million). Revisions
were also made to both miscellaneous receipts and in transfers from other funds (an $11 million combined projected increase).

Disbursements through the first six months of the fiscal year were $415 million less than projected, primarily because of delays in processing payments following delayed enactment of the State budget. As a result, no savings are included in the Mid-Year Update from this slower-than-expected spending. Projections of 1996-97 General Fund disbursements are increased by $120 million, since increased General Fund disbursements for education are required to replace a projected decrease in lottery receipts. This modification is shown in the form of an increased transfer of General Fund monies to the Lottery Fund in the Special Revenue fund type.

The projected closing fund balance in the General Fund of $337 million reflects a balance of $252 million in the Tax Stabilization Reserve Fund (following a payment of $15 million during the current fiscal year) and a deposit of $85 million to the Contingency Reserve Fund.

Revisions to the all governmental funds receipts and disbursements estimates primarily reflect changes to the General Fund and transfers between fund types. Table A-4 shows corresponding totals for all governmental funds as reflected in the Mid-Year Update. The projected closing fund balance for all governmental funds is $623 million, unchanged from the July projection. The annual increase in spending for all governmental funds remains approximately 4 percent, the same as projected in the July Financial Plan.

Total projected receipts in all governmental funds (excluding transfers) have been increased by $299 million, while disbursements are unchanged from the July Financial Plan. The new receipts estimate primarily reflects higher projections for the General Fund (as discussed above). Offsetting the rise in General Fund receipts is a reduced forecast for lottery proceeds (down $120 million), which is reflected as a decrease in miscellaneous receipts within the Special Revenue fund type. Transfers to the Special Revenue fund type are increased by a corresponding amount, reflecting a transfer from the General Fund to the Lottery Fund. Other minor changes were made to receipts estimates in the Capital Projects and Debt Service fund types.

Uncertainties with regard to the economy, as well as the outcome of certain litigation now pending against the State, could produce adverse effects on the State's projections of receipts and disbursements. For example, changes to current levels of interest rates or deteriorating world economic conditions could have an adverse effect on the State economy and produce results in the current fiscal year that are worse than predicted. Similarly, an adverse judgement in legal proceedings against the State could exceed amounts reserved in the 1996-97 Financial Plan for payment of such judgements and produce additional unbudgeted costs to the State.

**GAAP-Basis Update for the Current Fiscal Year**

The State issued its first update to the GAAP-basis Financial Plan for the State's 1996-97 fiscal year on September 1, 1996, based on the cash-basis 1996-97 State Financial Plan completed in July. A second GAAP-basis update will be issued in connection with the Governor's submission of the 1997-98 Executive Budget.

The September GAAP-basis update projects a General Fund operating surplus of $93 million. The prior projection of the 1996-97 GAAP-basis State Financial Plan, issued in December 1995 as part of the 1996-97 Executive Budget, projected an operating surplus in the General Fund of $168 million. The change to the projection between December 1995 and September 1996 primarily reflects revisions to the Executive Budget as submitted by the Governor on March 15, 1996, the impact of legislative changes to the 1996-97 Executive Budget, and changes in projected accruals for certain local assistance programs.

Total revenues in the General Fund are projected at $32.50 billion, consisting of $29.39 billion in tax revenues and $3.11 billion in miscellaneous revenues. Personal income tax revenue is projected to reach $16.83 billion, or 52 percent of total tax revenue. User taxes and fees are projected to total $6.76 billion, or 21 percent of total taxes. Business taxes are projected at $4.82 billion, or 15 percent of General Fund taxes, while revenue from other taxes is projected at $991 billion or 3 percent of total tax revenue. Total expenditures in the General Fund are projected at $32.96 billion, including $23.17 billion for grants to local governments (70 percent of total General Fund expenditures), $7.99 billion for State operations (24 percent of total expenditures), $1.78 billion for general State charges (5 percent of total expenditures), $7 million for capital projects, and $20 million for debt service.

Operating transfers to the General Fund from other funds are projected at $4.17 billion. This amount primarily represents routine transfers which occur annually such as transfers from the Local Government Assistance Tax Fund and the Mental Hygiene Services Fund. Operating transfers from the General Fund to other funds are projected at $3.88
billion. This amount includes transfers to the General Debt Service Fund, the Capital Projects Fund, and to the College and University Funds. Proceeds from bond sales and other financing arrangements are projected at $260 million.

For all governmental funds, the summary GAAP-basis Financial Plan shows an excess of revenues and other financing sources over expenditures and other financing uses of $99 million.

**Special Considerations**

Although revisions to the 1996-97 State Financial Plan contained in the Mid-Year Update are favorable, the State faces certain risks which could potentially cost the State up to one-half billion dollars. The Division of the Budget believes these risks are balanced by reserves in the 1996-97 State Financial Plan, including the $300 million reserve created in the Mid-Year Update. However, there can be no assurance that these reserves will fully offset litigation or other risks to the State Financial Plan.

One major uncertainty to the 1996-97 State Financial Plan continues to be risks related to the economy and tax collections, which could produce either favorable or unfavorable variances during the balance of the year. While adjustments to the forecast have been made to reflect recent economic events, it is possible that an increase in interest rates or the impact of cost-cutting measures in the health care industry could produce slower economic growth and a deterioration in State receipts. On the other hand, the national or State economy (particularly the financial sector) may continue to perform better than projected, which could produce beneficial short-term results in State receipts.

An additional risk to the 1996-97 State Financial Plan arises from the potential impact of certain litigation now pending against the State, which could produce adverse effects on the State’s projections of receipts and disbursements. For more information on litigation pending against the State, see the section entitled “Litigation” in the Annual Information Statement.

Similarly, certain litigation which by itself did not produce a material judgement against the State could have an adverse impact on the State Financial Plan because of the precedential nature of the court’s decision. Specifically, the State Court of Appeals has denied a motion to appeal a lower court decision in the so-called “GTE Spacenet” case, in which the court ruled that GTE Spacenet was not subject to the 3.5 percent tax on gross receipts imposed under section 186-a of the tax law. The court decision is limited to provisions of section 186-a as it existed prior to 1995 amendments, and has no prospective effect. While this litigation in and of itself carries only a small judgement in favor of GTE Spacenet and similar companies, the consequences of the ruling could eventually entail refunds to other taxpayers of several hundred million dollars. Refund claims of over $300 million have been filed which, with interest and assuming a similar exposure for open years for which claims have yet to be filed, could approach $600 million in potential claims.

On August 13, 1996, the State Comptroller released a report entitled “The 1996-97 Budget: Fiscal Review and Analysis” in which he identified several risks to the State Financial Plan and estimated that the State faces a potential imbalance in receipts and disbursements of approximately $3 billion for the State’s 1997-98 fiscal year and approximately $3.2 billion for the State’s 1998-99 fiscal year. The 1997-98 fiscal year estimate by the State Comptroller is within the range discussed by the Division of the Budget in the section entitled “Out-year Projections of Receipts and Disbursements” in the Annual Information Statement of July 26, 1996.

The Governor is required to submit a balanced budget to the State Legislature and has indicated he will close any potential imbalance in the 1997-98 Financial Plan primarily through General Fund expenditure reductions and without increases in taxes or deferrals of scheduled tax reductions. It is expected that the State’s 1997-98 Financial Plan will reflect a continuing strategy of substantially reduced State spending, including agency consolidations, reductions in the State workforce, and efficiency and productivity initiatives. The Division of the Budget intends to update the State Financial Plan and provide an update to the Annual Information Statement upon release of the 1997-98 Executive Budget.

On August 22, 1996, the President signed into law the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This federal legislation fundamentally changed the programmatic and fiscal responsibilities for administration of welfare programs at the federal, state and local levels. The new law abolishes the federal Aid to Families with Dependent Children program (AFDC), and creates a new Temporary Assistance to Needy Families program (TANF) funded with a fixed federal block grant to states. The new law also imposes (with certain exceptions) a five-year durational limit on TANF recipients, requires that virtually all recipients be engaged in work or community service activities within two years of receiving benefits, and limits assistance provided to certain immigrants and other classes of individuals. States are required to meet work activity participation targets for their TANF caseload; these requirements are phased in over time. States who fail to meet these federally mandated job participation rates, or who
fail to conform with certain other federal standards, face potential sanctions in the form of a reduced federal block grant.

In anticipation of federal welfare reform legislation being enacted into law, the Governor created the Task Force to Analyze Federal Welfare Reform. The Task Force analyzed the programmatic and fiscal implications for the State under the new federal law, and presented its report to the Governor on October 15, 1996. The task force report identified the major areas that require State statutory and/or regulatory changes in order to comply with the new federal statutes, and presented policy options to the Governor for his use in proposing legislation to implement welfare reform.

On October 16, 1996, the Governor submitted the State’s TANF implementation plan to the federal government as required under the new federal welfare law. Submission of this plan to the federal government requires New York State to begin compliance with certain time limits on welfare benefits and permits the State to become eligible for approximately $2.36 billion in federal block grant funding. Legislation will be required to implement the State’s TANF plan. The Governor has indicated that he plans to introduce legislation necessary to conform with federal law shortly, and that he may submit amendments to the State plan if necessary. The Governor’s proposals will be available for consideration by the Legislature either before the end of calendar 1996 or in the 1997 legislative session.

It is expected that funding levels provided under the federal TANF block grant will be higher than currently anticipated in the State’s financial plan. However, the net fiscal impact of any changes to the State’s welfare programs that are necessary to conform with federal law will be dependent upon such factors as the ability of the State to avoid any federal fiscal penalties, the level of additional resources required to comply with any new State and/or federal requirements, and the division of non-federal welfare costs between the State and its localities.

States are required to comply with the new federal welfare reform law no later than July 1, 1997. Given the size and scope of the changes required under federal law, it is likely that these proposals will produce extensive public discussions. There can be no assurances that the State legislature will enact welfare reform proposals as submitted by the Governor and as required under federal law.


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<td><strong>$6,728</strong></td>
<td>($5)</td>
<td><strong>$6,723</strong></td>
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<tr>
<td><strong>Business Taxes:</strong></td>
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<td></td>
<td></td>
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<td>Corporation Franchise Tax</td>
<td>1,754</td>
<td>75</td>
<td>1,829</td>
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<td>Corporation and Utilities Taxes</td>
<td>1,425</td>
<td>60</td>
<td>1,485</td>
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<td>Insurance Taxes</td>
<td>605</td>
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<td>605</td>
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<td>Bank Tax</td>
<td>685</td>
<td>0</td>
<td>685</td>
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<tr>
<td>Petroleum Business Tax</td>
<td>151</td>
<td>(11)</td>
<td>140</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$4,620</strong></td>
<td>$124</td>
<td><strong>$4,744</strong></td>
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<td><strong>Other Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
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<td>Estate and Gift Taxes</td>
<td>771</td>
<td>42</td>
<td>813</td>
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<td>Real Property Gains Tax</td>
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<td>35</td>
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<td>Real Estate Transfer Tax</td>
<td>98</td>
<td>6</td>
<td>104</td>
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<td>Pari-mutuel Tax</td>
<td>43</td>
<td>1</td>
<td>44</td>
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<tr>
<td>Other Tax</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$948</strong></td>
<td>$49</td>
<td><strong>$997</strong></td>
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<tr>
<td><strong>Miscellaneous Receipts</strong></td>
<td>$2,103</td>
<td>$8</td>
<td>$2,111</td>
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<tr>
<td><strong>Transfers from Other Funds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax in Excess of LGAC Debt Service</td>
<td>1,402</td>
<td>3</td>
<td>1,405</td>
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<tr>
<td>All Other Transfers</td>
<td>271</td>
<td>0</td>
<td>271</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$1,673</strong></td>
<td>$3</td>
<td><strong>$1,676</strong></td>
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<tr>
<td><strong>TOTAL RECEIPTS</strong></td>
<td><strong>$33,173</strong></td>
<td>$420</td>
<td><strong>$33,593</strong></td>
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<td><strong>Grants to Local Governments:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>11,270</td>
<td>0</td>
<td>11,270</td>
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<tr>
<td>Social Services:</td>
<td></td>
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</tr>
<tr>
<td>Medical Assistance</td>
<td>5,291</td>
<td>0</td>
<td>5,291</td>
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<tr>
<td>Other Social Services</td>
<td>3,174</td>
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<td>3,174</td>
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<tr>
<td>Other</td>
<td>3,399</td>
<td>0</td>
<td>3,399</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$23,134</strong></td>
<td>0</td>
<td><strong>$23,134</strong></td>
</tr>
<tr>
<td><strong>State Operations</strong></td>
<td>$5,818</td>
<td>0</td>
<td>$5,818</td>
</tr>
<tr>
<td><strong>General State Charges</strong></td>
<td>$2,219</td>
<td>0</td>
<td>$2,219</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td>$10</td>
<td>0</td>
<td>$10</td>
</tr>
<tr>
<td><strong>Capital Projects</strong></td>
<td>$2</td>
<td>0</td>
<td>$2</td>
</tr>
<tr>
<td><strong>Transfers to Other Funds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Support of Debt Service</td>
<td>1,596</td>
<td>0</td>
<td>1,596</td>
</tr>
<tr>
<td>In Support of Capital Projects</td>
<td>152</td>
<td>0</td>
<td>152</td>
</tr>
<tr>
<td>All Other Transfers</td>
<td>192</td>
<td>120</td>
<td>312</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$1,940</strong></td>
<td>$120</td>
<td><strong>$2,060</strong></td>
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<tr>
<td><strong>TOTAL DISBURSEMENTS</strong></td>
<td><strong>$33,123</strong></td>
<td>$120</td>
<td><strong>$33,243</strong></td>
</tr>
<tr>
<td><strong>Reserve for Potential Risks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$0</td>
<td>$300</td>
<td>$300</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Receipts and Other Financing Sources over over Disbursements and Other Financing Uses</strong></td>
<td>$50</td>
<td>0</td>
<td>$50</td>
</tr>
<tr>
<td><strong>CLOSING FUND BALANCE</strong></td>
<td><strong>$337</strong></td>
<td></td>
<td><strong>$337</strong></td>
</tr>
</tbody>
</table>

Source: State Division of the Budget
Table A-4  
1996-97 State Financial Plan  
All Governmental Funds  
(Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Special Revenue Funds</th>
<th>Capital Projects Funds</th>
<th>Debt Service Funds</th>
<th>(MEMO) Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPENING FUND BALANCE</strong></td>
<td>$287</td>
<td>$499</td>
<td>($292)</td>
<td>$160</td>
<td>$654</td>
</tr>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>29,806</td>
<td>1,242</td>
<td>979</td>
<td>1,832</td>
<td>33,859</td>
</tr>
<tr>
<td>Miscellaneous receipts</td>
<td>2,111</td>
<td>5,387</td>
<td>1,498</td>
<td>721</td>
<td>9,717</td>
</tr>
<tr>
<td>Federal grants</td>
<td>0</td>
<td>21,291</td>
<td>1,102</td>
<td>0</td>
<td>22,393</td>
</tr>
<tr>
<td><strong>Total receipts</strong></td>
<td><strong>$31,917</strong></td>
<td><strong>$27,920</strong></td>
<td><strong>$3,579</strong></td>
<td><strong>$2,555</strong></td>
<td><strong>$65,969</strong></td>
</tr>
<tr>
<td><strong>Disbursements:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants to local governments</td>
<td>23,134</td>
<td>22,012</td>
<td>660</td>
<td>0</td>
<td>45,806</td>
</tr>
<tr>
<td>State operations</td>
<td>5,818</td>
<td>6,103</td>
<td>3</td>
<td>3</td>
<td>11,927</td>
</tr>
<tr>
<td>General State charges</td>
<td>2,219</td>
<td>348</td>
<td>0</td>
<td>0</td>
<td>2,567</td>
</tr>
<tr>
<td>Debt service</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>2,579</td>
<td>2,589</td>
</tr>
<tr>
<td>Capital projects</td>
<td>2</td>
<td>48</td>
<td>3,186</td>
<td>0</td>
<td>3,236</td>
</tr>
<tr>
<td><strong>Total disbursements</strong></td>
<td><strong>$31,183</strong></td>
<td><strong>$28,511</strong></td>
<td><strong>$3,849</strong></td>
<td><strong>$2,582</strong></td>
<td><strong>$66,125</strong></td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from other funds</td>
<td>1,676</td>
<td>2,491</td>
<td>173</td>
<td>3,737</td>
<td>8,077</td>
</tr>
<tr>
<td>Transfers to other funds</td>
<td>(2,060)</td>
<td>(2,043)</td>
<td>(304)</td>
<td>(3,706)</td>
<td>(8,113)</td>
</tr>
<tr>
<td>Bond and note proceeds</td>
<td>0</td>
<td>0</td>
<td>461</td>
<td>0</td>
<td>461</td>
</tr>
<tr>
<td><strong>Net other financing sources (uses)</strong></td>
<td><strong>($384)</strong></td>
<td><strong>$448</strong></td>
<td><strong>$330</strong></td>
<td><strong>$31</strong></td>
<td><strong>$425</strong></td>
</tr>
<tr>
<td>Reserve for Potential Risks</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$300</td>
</tr>
<tr>
<td>Change in fund balance</td>
<td>$50</td>
<td>($143)</td>
<td>$60</td>
<td>$2</td>
<td>($31)</td>
</tr>
<tr>
<td><strong>CLOSING FUND BALANCE</strong></td>
<td><strong>$337</strong></td>
<td><strong>$356</strong></td>
<td>($232)</td>
<td><strong>$162</strong></td>
<td><strong>$623</strong></td>
</tr>
</tbody>
</table>

Source: State Division of the Budget
SUMMARY OF THE FINANCING AGREEMENT
RELATING TO THE
FEDERALLY TAXABLE PENSION OBLIGATION BONDS
SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

GENERAL PROVISIONS

Covenants for Benefit of Holders of Bonds

The Financing Agreement is executed in part to induce the purchase by others of the Bonds and accordingly all covenants and agreements on the part of the State and the Authority as set forth in the Financing Agreement are thereby declared to be for the benefit of the Holders from time to time of the Bonds.

(Section 2.02)

FINANCING PROVISIONS

Issuance of Bonds; Purposes

The Authority agrees to use its best efforts to authorize, issue, sell and deliver the 1996 Bonds in accordance with the provisions of the Resolution, in an aggregate principal amount which, together with other moneys available therefor are sufficient to pay the Pension Fund Liability. In addition to providing for the Pension Fund Liability, it is understood that the Resolution provides, and it is agreed, that the Authority may issue Bonds for one or more of the following purposes: (i) paying the Costs of Issuance of Bonds, and (ii) refunding Bonds as provided in Section 2.04 of the Resolution.

(Section 3.01)

Certain Limitations on Principal and Interest Payments

To facilitate the financial planning of the State, the Authority agrees that, unless the State and the Authority agree that the first payment dates for the principal and Sinking Fund Installments of and interest on Bonds of an Issue shall be other than as provided in Section 3.02 of the Financing Agreement, the first date for the payment of the principal or Sinking Fund Installment of any Bond of an Issue shall not be prior to the October 1 immediately succeeding the November 1 of the Bond Year in which such Issue of Bonds are delivered.

(Section 3.02)

FINANCIAL OBLIGATIONS

Obligation to Make Payments

The obligation of the State to make the payments required by subparagraph (a) of Section 4.01 and by Section 4.02 of the Financing Agreement shall be complete and unconditional and the amount, manner and time of payment of such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening of any event.

(Section 4.01)

Amount and Payment of Annual Payments

(a) The State shall pay to the Authority the following in the amounts and on the dates set forth below:

(i) On March 10 of each Bond Year, the interest payable on Outstanding Bonds which bear interest at a fixed rate on or prior to the next succeeding April 1, the interest on Outstanding Variable Interest Rate Bonds estimated by an Authorized Officer of the Authority to be payable on or prior to the next succeeding October 1, and the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding April 1; and
Appendix C

(ii) On September 10 of each Bond Year, the interest payable on Outstanding Bonds on or prior to the next succeeding October 1, the interest on Outstanding Variable Interest Rate Bonds estimated by an Authorized Officer of the Authority to be payable on or prior to the next succeeding April 1, and the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding October 1.

The State shall receive a credit against the payments required to be made pursuant to (i) and (ii) above in an amount equal to the amount by which the amount in the Debt Service Fund on the date any such payment is to be made exceeds the amount required pursuant to Section 5.05(1) of the Resolution to be on deposit in such fund or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption.

(b) In addition to the payments required by Section 4.02(a) of the Financing Agreement, the State shall pay to the Authority the following, in the amounts and on the dates set forth below:

(i) On March 10 of each Bond Year, the Annual Administrative Fee payable during such Bond Year;

(ii) On March 10 and September 10 of each Bond Year, the amount, if any, as shall be necessary to provide for the payment by the Authority of the fees and other amounts payable to the provider of a Credit Facility or Liquidity Facility on or prior to September 10 of such Bond Year or March 10 of the succeeding Bond Year, respectively.

(c) The Authority, for the convenience of the State, shall furnish the State not less than thirty (30) days prior to the date on which a payment is due pursuant to the Financing Agreement, a statement of the amount, purpose and payment date of each payment required to be made pursuant to the Financing Agreement. The Authority agrees that it will provide the State such information as may be reasonably requested by it with respect to the calculation of the Annual Administrative Fee and the allocation formula utilized in connection therewith. The failure to furnish such statement or information shall not excuse the State’s failure to pay, when due, the amounts payable pursuant to the Financing Agreement.

(d) Any payments required to be made pursuant to the Financing Agreement which are not paid by the State within seven (7) days after the due date thereof shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Outstanding Bonds until paid, time being of the absolute essence of this obligation.

(Section 4.02)

Indemnification of Authority

(a) Both during the term of the Financing Agreement and thereafter, the State, to the extent authorized by, and to the extent not otherwise prohibited by, State law and decisions thereunder, shall indemnify and hold the Authority and any member, officer, and employee of the Authority harmless from and against any and all liability, loss, cost, damage, claim, suit or judgment and any and all costs and expenses including, but not limited to, reasonable counsel fees and disbursements, if assessed by a court of competent jurisdiction, of any and all kinds or nature and however arising, imposed by law, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon or arising out of the financing pursuant to the Financing Agreement, or upon or arising out of the allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of obligations contained an untrue or misleading statement of a material fact relating to the State or the estimated sources and uses of funds, or omitted to state a material fact relating to the State or the estimated sources and uses of funds necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that such liability, loss, cost, damage, claim, suit or judgments not contributed to, caused by or resulted from the intentional wrong doing of the Authority, its members, officers or employees.

(b) The Authority agrees to give the Director of the Budget on behalf of the State prompt notice in writing of the institution of each such claim, action, or proceeding covered by the provisions of subdivision (a) of Section 4.04 of the Financing Agreement and to consult with the Director of the Budget prior to adjusting, settling or compromising any such claim, action or proceeding.
Appendix C

(c) The Authority and each member, officer or employee shall be entitled to employ separate counsel in any action or proceeding and to participate in the defense thereof; provided, however, that the State shall not be liable for attorneys’ fees of separate counsel so retained or any other expenses incurred in connection with its participation in the defense of such action or proceeding, other than the reasonable costs of investigation thereof, unless the State shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) its or any member, officer or employee’s interests and the interests of the State therein are adverse or (B) it or any member, officer or employee may have a defense available to it which is not available to the State or (ii) the State does not provide for legal representation.

(d) The State shall not be liable for the payments pursuant to the indemnification provided for in Section 4.04 of the Financing Agreement, to the Authority, its members, officers and employees including attorneys’ fees of separate counsel retained by the Authority, its members, officers and employees beyond moneys appropriated by the State and available for these purposes.

(e) The provisions of the Financing Agreement shall become inoperative with respect to the parties to be indemnified under the Financing Agreement upon the enactment into law of indemnification protection for said parties equivalent to or pursuant to section 17 of the Public Officers Law.

(Section 4.04)

MISCELLANEOUS

Option to Defease Resolution

Upon sixty (60) days’ written notice to the Authority and the Trustee, the State shall have the right to pay or cause to be paid to the Trustee an amount equal to the principal or Redemption Price of, and interest to the next date on which all Outstanding Bonds are subject to redemption on, all Outstanding Bonds. If at any time the moneys on deposit in the Debt Service Fund are at least equal to the principal or Redemption Price of and interest to the next date on which all Outstanding Bonds are subject to redemption on, all Outstanding Bonds, the Authority upon the written request of the State shall give notice to the Trustee of the Authority’s election to redeem all Outstanding Bonds on such redemption date.

(Section 5.01)

Termination of the Financing Agreement and Provisions Relating Thereto

The Financing Agreement shall remain in full force and effect until the date on which (i) the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds shall have been fully paid and discharged or provision for the payment and discharge thereof shall have been made as provided by the Resolution and (ii) all other obligations, liabilities and expenses of the Authority required to be paid by the Authority in connection with such termination of the Financing Agreement and the defeasance of the Resolution shall have been fully paid and discharged or provision satisfactory to the Authority for the payment and discharge thereof shall have been made; provided that, the State covenants and agrees that it shall cause the foregoing to occur no later than October 1, 2006; and, provided further, however, that the provisions of Section 4.04 of the Financing Agreement regarding indemnification of the Authority shall survive the termination of the Financing Agreement.

(Section 5.02)

Amendment of Financing Agreement or Resolution

The Financing Agreement may be amended by a Supplemental Agreement executed by and between the Authority and the State; provided, however, that any amendment contained in a Supplemental Agreement shall not become effective unless and until (i) if the consent of Holders of Outstanding Bonds is required by Section 7.09 of the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentage of Outstanding Bonds specified in the Resolution, (ii) if the consent of the Trustee is required by Section 7.09 of the Resolution, the Trustee has consented thereto, and (iii) an executed copy of such Supplemental Agreement certified by an Authorized Officer of the Authority shall have been filed with the Trustee.
Appendix C

The Authority agrees that it shall not adopt a Supplemental Resolution which amends or supplements the Resolution in any manner which requires the consent of any percentage of the Holders of Outstanding Bonds to be obtained as provided in Article IX and X of the Resolution unless such Supplemental Resolution is approved in writing by the Director of the Budget on behalf of the State.

(Section 5.03)

Non-Assignability of Financing Agreement

The Financing Agreement may not be assigned, except to the Trustee, by any party without the consent in writing of each other party.

(Section 5.06)

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member of the Authority or any officer or employee of the Authority or of the State, or any person executing the Financing Agreement for any covenants and provisions of the Financing Agreement or for any claims based thereon.

(Section 5.09)

Separate Responsibilities of State Officials

By executing the Financing Agreement on behalf of the State, the Director of the Budget assumes no liability or responsibility for the actions or omissions of any officer or other employee of the State (including, without limitation, the Comptroller) beyond the scope of his power and authority as the Director of the Budget.

(Section 5.10)
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. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

AUTHORIZATION AND ISSUANCE OF BONDS

Authorization of Bonds

Bonds of the Authority are authorized to be issued and shall be designated as "Dormitory Authority of the State of New York Federally Taxable Pension Obligation Bonds, 1996 Issue", and there is created a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the 1996 Bonds and all other bonds issued under the Resolution. The purposes for which the 1996 Bonds are being issued are (i) to pay the Pension Fund Liability, and (ii) to pay the Costs of Issuance of the 1996 Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues, all in the manner more particularly provided in the Resolution, or in any Refunding Issue Resolution authorizing such Bonds or in a 1996 Issue Certificate or Refunding Issue Certificate, as the case may be. The aggregate principal amount at issuance of Bonds which may be executed, authenticated and delivered may not exceed $830,000,000, subject to the provisions of Section 2.04 regarding the issuance of Refunding Bonds and the Costs of Issuance thereof and Article III, Section 4.06 and Section 10.06 of the Resolution.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority pledged under the Resolution to the payment of the principal, Sinking Fund Installments, if any, and the Redemption Price of and interest on all the Bonds.

No maturity dates of any Issue of Bonds shall be later than October 1, 2006.

(Section 2.01)

Issuance of Bonds

The 1996 Bonds shall be executed in accordance with Section 3.03 of the Resolution and delivered to the Trustee. Such Bonds shall from time to time and in such amounts as are directed by the Authority be authenticated by the Trustee and by it delivered to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

1. A copy of the Resolution, certified by an Authorized Officer of the Authority;

2. A copy of the Financing Agreement, certified by an Authorized Officer of the Authority;

3. A copy of the 1996 Issue Certificate executed in connection with such Bonds;

4. A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the consideration for such Bonds;

5. A certificate of an Authorized Officer of the Authority stating that the Authority is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

6. A certificate of an Authorized Officer of the State stating that the State is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any covenants, conditions, agreements or provisions contained in the Financing Agreement;

7. Unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds;
Appendix D

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

9. The Certificate of the Comptroller to be delivered pursuant to Section 5.04(2) of the Resolution.

(Section 2.02)

Delegation of Authority

Under the Resolution, there is hereby delegated to any Authorized Officer of the Authority, subject to the limitations contained therein, the power with respect to the 1996 Bonds to determine and carry out the following:

(a) The sale of the 1996 Bonds at public or private sale, provided that in the case of a private sale the purchase price paid by the purchasers thereof shall not be less than ninety-five percent (95%) of the principal amount of the 1996 Bonds so sold; the approval of the terms of and publication of an official statement describing the 1996 Bonds and publication of a notice of sale; and the execution of a contract or contracts of purchase at public or private sale on behalf of the Authority;

(b) The principal amount of 1996 Bonds to be issued; provided, however, that the aggregate principal amount of 1996 Bonds to be issued shall not exceed $830,000,000;

(c) The date or dates, Record Date or Dates, maturity date or dates and principal amount of each maturity of the 1996 Bonds, and the amount and date of each Sinking Fund Installment, if any, and which 1996 Bonds are Serial Bonds or Term Bonds; provided that no 1996 Bond shall mature later than April 1, 2003;

(d) The interest rate or rates or the manner of determining such rate or rates, if any, of the 1996 Bonds, the date from which interest on the 1996 Bonds shall accrue and the interest payment dates therefor, and, in the case of Variable Rate Bonds, the date or dates on which the such Bonds bear interest shall be adjusted; provided that the true interest cost (without regard to any Variable Interest Rate Bonds and as otherwise determined by an Authorized Officer of the Authority, which determination shall be conclusive) on the 1996 Bonds shall not exceed seven and one-half percent (7 1/2%) per annum;

(e) If the 1996 Bonds are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

(f) If the 1996 Bonds are Deferred Income Bonds, the Interest Commencement Date for such Bonds, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

(g) If the 1996 Bonds are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

(h) If the 1996 Bonds are Variable Interest Rate Bonds, the Maximum Interest Rate for such Bonds, provided that any such Maximum Interest Rate shall not exceed eighteen percent (18%), and the provisions, if any, as to the calculation or change of Variable Interest Rates;

(i) If the 1996 Bonds are Option Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

(j) The denomination or denominations of and the manner of numbering and lettering the 1996 Bonds;
(k) Whether the 1996 Bonds will be Book Entry Bonds and the Depository therefor;

(l) The Trustee for the Bonds and the Paying Agent or Paying Agents and, subject to the provisions of Section 8.02 of the Resolution, the place or places of payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the 1996 Bonds; provided, however, that such Paying Agent or Paying Agents may be appointed by resolution adopted prior to authentication and delivery of the 1996 Bonds in accordance with the provisions of Section 8.02 of the Resolution;

(m) Whether the 1996 Bonds will be redeemable prior to maturity and the Redemption Price or Redemption Prices, if any, and, subject to Article IV of the Resolution, the redemption terms, if any, for the 1996 Bonds;

(n) Provisions for the sale or exchange of the 1996 Bonds and for the delivery thereof;

(o) The form of the 1996 Bonds and the form of the Trustee’s certificate of authentication thereon;

(p) Provisions with respect to funds and accounts and subaccounts therein, if applicable, and the Revenues and application thereof, as provided in Article V of the Resolution;

(q) Directions for the application of the proceeds of the 1996 Bonds; and

(r) The authority to make such other determinations and to take such other actions deemed advisable by an Authorized officer of the Authority, in connection with the issuance, sale and delivery of the 1996 Bonds authorized by the Resolution, as are not in conflict with the provisions of the Resolution.

An Authorized Officer shall execute one or more 1996 Issue Certificates evidencing determinations or other actions taken pursuant to the authority granted in the Resolution, and any such 1996 Issue Certificate shall be conclusive evidence of the actions or determinations of such Authorized Officer as stated therein.

All 1996 Bonds of like maturity issued pursuant to this 1996 Resolution shall be identical in all respects, except as to denominations, numbers and letters, and they shall be issued as fully registered 1996 Bonds.

Each Authorized Officer of the Authority is further delegated the power and authority (i) to prepare and distribute a Preliminary Official Statement as appropriate in connection with the sale of the 1996 Bonds, (ii) to execute, deliver and distribute a final Official Statement as appropriate in connection with the sale of the 1996 Bonds, (iii) to execute and deliver the Agreement, an Agreement to Provide Continuing Disclosure to be dated the 1996 Issue Closing Date (the “Continuing Disclosure Agreement”) by and between the Authority, the State and the Trustee, and a Bond Purchase Agreement by and between the Authority and Lehman Brothers Inc., as the manager and representative of the several underwriters purchasing the 1996 Bonds (the “Bond Purchase Agreement”), each substantially in the form as presented for approval herewith, and each of the other documents, certificates or instruments which the Authority is required to execute and deliver in connection with the issuance and the sale of the 1996 Bonds or the transactions contemplated by the Agreement, the Continuing Disclosure Agreement or the Bond Purchase Agreement, in each case together with all changes as such officer may deem necessary or advisable upon the advice of counsel, such officer’s signature thereon to be conclusive evidence thereof, and (iv) to make such changes to the Resolution as such officer shall deem, upon the advice of counsel, to be necessary or advisable, provided that any such change shall not effect the principal terms of the 1996 Bonds to the extent set forth herein.

(Section 2.03)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution.

(Section 2.06)
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PLEDGE OF REVENUES; FUNDS AND ACCOUNTS

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues and the right of the Authority to receive the Revenues and all funds and accounts established by the Resolution and by any Refunding Issue Resolution are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and each Refunding Issue Resolution all in accordance with the provisions thereof and of the Resolution. Such pledge is valid, binding and perfected from the time when the pledge attaches, and the proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Refunding Issue Resolution and 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 shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of any Bonds, the Revenues and all funds and accounts established by the Resolution and by any Refunding Issue Resolution, which pledge shall constitute a first lien thereon.

Notwithstanding anything to the contrary contained in the Resolution, the Authority may incur obligations or indebtedness to any person providing a Credit Facility or Liquidity Facility which are payable from the Revenues on a parity with the Bonds and which are secured by a lien on and pledge of the Revenues equal to the lien and pledge made by the Resolution, without preference, priority or distinction over the rights of the Holders of the Bonds.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution and shall be held and maintained by the Trustee:

Bond Proceeds Fund; and
Debt Service Fund.

(Section 5.02)

Application of Moneys in the Bond Proceeds Fund

1. Except as otherwise provided in Article V of the Resolution and any applicable Refunding Issue Resolution or 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, moneys in the Bond Proceeds Fund shall be applied only to pay (i) the Costs of Issuance of Bonds, if any, (ii) in the case of the 1996 Bonds, the Pension Fund Liability or (iii) in the case of Refunding Bonds, the principal or Redemption Price of and accrued interest to the date of maturity or redemption on, Bonds to be refunded through the issuance of Refunding Bonds pursuant to Section 2.04 of the Resolution. For purposes of internal accounting, the Bond Proceeds Fund shall contain a separate account for each Issue of Bonds under the Resolution and may contain one or more other accounts and such subaccounts as the Authority may deem proper.

2. Payments for Costs of Issuance shall be made by the Trustee upon the written direction of 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.

Payments made to satisfy the Pension Fund Liability shall be made by the Trustee upon (a) the written direction of an Authorized Officer of the State and of the Authority and (b) the filing with the Authority, the Director of the Budget and the Trustee of a certificate signed by the Comptroller which states (x) the amount required to pay in full the Pension Fund Liability and (y) that upon receipt of the amounts deposited in the Bond Proceeds Fund upon issuance of the 1996 Bonds after payment of all Costs of Issuance to be paid from the Bond Proceeds Fund all obligations of the State with respect to the Pension Fund Liability will be satisfied.
Moneys in the Bond Proceeds Fund to be applied to pay the principal or Redemption Price of, and interest accrued on, Bonds to be refunded as provided in the Resolution shall be transferred from the Bond Proceeds Fund to the Debt Service Fund upon receipt by the Trustee of written approval and direction therefor of an Authorized Officer of the Authority at such times and in such amounts as shall be determined by an Authorized Officer by the Authority and shall thereafter be paid out to redeem Bonds as provided in Section 5.07.

Upon the filing in the offices of the Authority of such certificate, the moneys, if any, then remaining in such account, after making provision for the payment of any Costs of Issuance then unpaid, shall be applied to the Debt Service Fund for application in accordance with the Resolution.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

1. The Revenues and other moneys, which, by any of the provisions of the Financing Agreement, are required to be paid to the Trustee, shall be paid to the Trustee and upon receipt thereof shall be deposited or paid by the Trustee in the following order of priority:

   First: To the credit of the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until March 31 thereof, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to the principal and Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding April 1, the interest payable on Outstanding Bonds which bear interest at a fixed rate on the next succeeding April 1, and the amount of interest estimated by the Authority to be payable on Variable Interest Rate Bonds on and prior to the next succeeding October 1; 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 on deposit in the Debt Service Fund equal to the principal and Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding October 1, the interest payable on Outstanding Bonds which bear interest at a fixed rate on the next succeeding October 1, and the amount of interest estimated to be payable on Variable Interest Rate Bonds on and prior to the next succeeding April 1 (or on such other date or dates as may be provided in the resolution authorizing the relevant Bonds); and

   Second: To the Authority such amounts as are then due and owing to the Authority pursuant to the Financing Agreement 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 and (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Pension Fund Liability, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Financing Agreement in accordance with the terms thereof; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing to the Authority pursuant to the Financing Agreement and payable pursuant to this paragraph Second.

2. After making the payments required by subdivision 1 of Section 5.05 of the Resolution, the balance, if any, of the Revenues on the immediately succeeding April 1 or October 1, as the case may be (or on such other date or dates set forth therefor in any resolution authorizing the relevant Bonds), shall, upon the direction of an Authorized Officer of the Authority, be deposited by the Trustee to the credit of the Debt Service Fund for application in accordance with Section 5.06 of the Resolution. The Trustee shall notify the Authority and the State promptly after making the payments required by subdivision 1 of Section 5.05 of the Resolution of any balance remaining from such Revenues on the immediately succeeding April 1 or October 1, as the case may be (or on such other date or dates set forth therefor in any resolution authorizing the relevant Bonds).

(Section 5.05)

Debt Service Fund

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

   (a) the interest due on all Outstanding Bonds on such interest payment date; and

   (b) the principal and Sinking Fund Installments due on all Outstanding Bonds on such interest payment date.
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The amount paid out pursuant to Section 5.06 of the Resolution shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to the payments due on such interest payment date to the Holders of Bonds in accordance with the Resolution.

2. Notwithstanding the provisions of Section 5.06 of the Resolution, the Authority may, at any time, except in no event less than forty-five (45) days prior to the succeeding first day of April or October on which a Sinking Fund Installment is scheduled to be due (or with respect to an Issue of Bonds, on such other date or dates, as may be set forth in the resolution authorizing such Bonds), direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bonds so purchased shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such first day of April or October, as the case may be (or on such other date or dates as may be set forth therefor in the resolution authorizing such Bond); provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

3. Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding April 1 or October 1, as the case may be (or on such other date or dates as may be set forth therefor in the resolution authorizing such Bonds), the interest on Outstanding Bonds payable on the next succeeding interest payment date and the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Issue at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If fifty (50) days prior to any interest payment date on which Bonds of any Issue are subject to redemption the amount of such excess not required to pay the purchase price or Redemption Price of Bonds theretofore contracted to be purchased or called for redemption is fifty thousand dollars ($50,000.00) or more, the Trustee shall, to the extent such moneys are sufficient therefor, apply such moneys in accordance with the direction of an Authorized Officer of the Authority given pursuant to Section 4.02 of the Resolution to the redemption of Bonds as provided in Article IV of the Resolution, at the Redemption Prices specified in the Resolution or in the applicable Refunding Issue Resolution or 1996 Issue Certificate or Refunding Issue Certificate, as the case may be.

(Section 5.06)

Application of Moneys in Debt Service Fund for Retirement of Bonds

(a) Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, the Trustee shall so notify the Authority and the State. Upon receipt of such notice, the Authority may direct the Trustee to redeem or provide for the redemption of all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Bonds hereby and by each Refunding Issue Resolution as provided in Article IV of the Resolution.

(b) If at any time amounts are deposited into the Debt Service Fund from the Bond Proceeds Fund pursuant to Section 5.04(2) of the Resolution for the redemption of Bonds and such amounts shall not be sufficient to redeem all Outstanding Bonds, the Trustee shall apply such amount to the redemption of Bonds, the Issues, maturities and principal amounts of which shall be determined at the election or direction of the Authority in its sole discretion, subject to any limitation with respect thereto contained in the Resolution or in the Refunding Issue Resolution authorizing such Issue or the applicable 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, and otherwise in accordance with the provisions of Article IV in the case of redemitions affected pursuant to Section 4.02 of the Resolution.

(Section 5.07)
Transfer of Investments

Whenever moneys in any fund or account established by the Resolution or by any Refunding Issue Resolution are to be paid in accordance with the Resolution or therewith to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or restriction applicable to moneys in such fund.

(Section 5.08)

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Security for Deposits

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

(Section 6.01)

Investment of Funds and Account

1. Moneys held under the Resolution in any fund or account established thereby or by a Refunding Issue Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations or Exempt Obligations which, at the time such investment is made, are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, by Moody’s and S&P, or, if such obligations are not rated by Moody’s and S&P, by Moody’s or S&P, in the highest rating category of such rating service or services for such Exempt Obligation or, if such Exempt Obligations are rated by neither Moody’s nor S&P, have been assigned a comparable rating by another nationally recognized rating service; provided that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

2. In lieu of the investments of moneys in obligations authorized in the Resolution, the Trustee shall, to the extent permitted by law, upon direction of the Authorized Officer of the Authority, invest moneys, held under the Resolution by the Trustee, in (i) interest bearing time deposits, certificates of deposit, or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations with banks, trust companies, savings banks, savings and loan associations, or secured dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) Exempt Obligations or (iii) Investment Agreements; provided, that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each time deposit, certificate of deposit, repurchase agreement or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in obligations in which moneys may be invested pursuant to the provisions of the Resolution (other then obligations of any state or territory of the United States of America, any political subdivision thereof, or any agency, authority, public benefit corporation or instrumentality of any such state, territory
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or political subdivision) of a market value determined by the Authority or its agent, on a daily valuation equal to the amount so invested, including interest accrued thereon, (y) the obligations which secure such time deposit or certificate of deposit or which are the subject of a repurchase agreement or other similar investment arrangement shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority with respect to such investment made by the Trustee, or by an agent of the Authority with respect to such investment made by the Authority, and (z) the obligations which secure such time deposit or certificate of deposit or which are the subject of a repurchase agreement or other similar investment arrangement shall be free and clear of claims of any other person.

3. Obligations purchased or other investments made as an investment of moneys in any fund or account held by the Trustee or the Authority 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.

4. In computing the amount in any fund or account held by the Trustee or the Authority under the Resolution, obligations purchased as an investment of moneys therein or held therein shall be valued at the market value thereof, plus accrued interest.

5. The Authority in its discretion may, and upon the direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, the Trustee shall, sell, present for redemption or exchange any investment purchased pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, any investment purchased by the Trustee or the Authority pursuant to the Resolution shall be sold at the best price obtainable, or presented for redemption or exchange, whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Authority in writing, on or before the seventh day of each calendar month, of the amounts required to be on deposit in each fund and account held by it 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 the Resolution. 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.

(Section 6.02)

PARTICULAR COVENANTS BY THE AUTHORITY

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 Issue on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 7.01)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Issue of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Authority shall cause such books and accounts to be audited annually after the end of its fiscal year by a nationally recognized independent public accountant selected by the Authority. Annually within thirty (30) days after receipt by the Authority of the report of such audit, a signed copy of such report shall be furnished to the Trustee and the State. 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 of each Refunding Issue Resolution; a statement of the Revenues collected in connection with the
Resolution and with each Refunding Issue Resolution; and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution or of each Refunding Issue Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues or the funds and accounts established by the Resolution or by any Refunding Issue Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution, and (ii) incurring obligations or, indebtedness to any person providing a Credit Facility or a Liquidity Facility which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the State

The Authority shall take all legally available action to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by the Financing Agreement in the manner and at the times provided in the Financing Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Financing Agreement (other than provisions requiring the payment of moneys 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.

(Section 7.07)

Offices for Payment and Registration of Bonds

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

(Section 7.08)

Amendment of Financing Agreement

The Financing Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) the Holders of at least fifty-one percent (51%) in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Issues of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds of each Issue so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Issue remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution; and provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds 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 to be made by the State which under the Financing Agreement is required to be deposited with the Trustee or extend the time of payment thereof. The Financing Agreement may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the issuance
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of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Financing Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Financing Agreement. No amendment to the Financing Agreement shall become effective until an executed copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

(Section 7.09)

Notice as to Event of Default under Financing Agreement

The Authority shall notify the Trustee in writing that the State is in default under the Financing Agreement, which default is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.10)

Payment of Lawful Charges

The Authority shall pay or take all legally available action to cause the State to pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon any Revenues or any fund or account created under the Resolution or under any Refunding Issue Resolution, when the same shall become due. Except as otherwise provided by the Resolution and by the Financing Agreement, the Authority shall not create or suffer to be created any lien or charge upon the Revenues or any fund or account created under the Resolution or under any Refunding Issue Resolution, except the pledge and lien of the Resolution and of the Bonds.

(Section 7.11)

REFUNDING ISSUE RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

Modification and Amendment Without Consent

The Authority may adopt at any time or from time to time Refunding Issue Resolutions or Supplemental Resolutions, and any such Refunding Issue Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

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

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

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

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

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

(f) To modify any of the provisions of the Resolution or of any previously adopted Refunding Issue Resolution in any other respect, provided that such modifications shall not be effective until after all Bonds of any Issue of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Refunding Issue Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions;
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(g) To modify the provisions of subdivision 2 of Section 6.02 of the Resolution in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with the provisions of the Resolution and shall not result in the reduction by Moody’s or S&P of the ratings assigned thereby to any of the Outstanding Bonds; or

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

(Section 9.01)

Supplemental Resolutions Effective With Consent of Holders of Bonds

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

(Section 9.02)

General Provisions Relating to Refunding Issue 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 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 Refunding Issue Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Refunding Issue 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 Refunding Issue 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 Refunding Issue Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

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

(Section 9.03)

Powers of Amendment

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

(Section 10.01)

Consent of Holders of Bonds

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Bonds (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution. Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted 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 provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Holder of Bonds shall be binding upon the Holder of the Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided in the Resolution 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 shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Resolution, shall be given to the Holders of Bonds by the Authority by mailing such notice to the Holders of Bonds and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds
shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee provided for in the Resolution is filed. The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such publication is required, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Section 10.02)

Modifications by Unanimous Consent

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

(Section 10.03)

DEFAULTS AND REMEDIES

Events of Default

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

(i) 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

(ii) 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

(iii) The Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or any Refunding Issue 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 the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds.

(Section 11.02)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in Section 11.02 of 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 shall proceed (subject to the provisions of Section 8.06 of the Resolution), to protect and enforce its rights and the rights of the Holders of the Bonds under the laws of the State or under the Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or in aid or execution of any power granted in the
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Resolution, 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.

In the enforcement of any remedy under the Resolution and under each Refunding Issue Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any event of default specified in Section 11.02 of the Resolution becoming, and at any time remaining, due from the Authority for principal, Redemption Price or interest or otherwise under any of the provisions of the Resolution or of any Refunding Issue Resolution or the bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under any Refunding Issue Resolution and such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.03)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holder of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds 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 hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner in the Resolution provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the respective stated maturities 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 11.07)

DEFEASANCE

1. If the Authority shall pay or cause to be paid to the Holders of the Bonds of an Issue the principal, Sinking Fund Instalments, 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 Refunding Issue Resolution and the applicable 1996 Issue Certificate or Refunding Issue Certificate, as the case may be, then the pledge of the Revenues or other moneys and securities pledged in the Resolution to such Issue of Bonds and all other rights granted in the Resolution to such Issue of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or securities held by it pursuant to the Resolution and to the applicable Refunding Issue Resolution which are not required for the payment or redemption of Bonds of such Issue not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee to the Authority free from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Financing Agreement.
2. Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of Section 12.01 of the Resolution. All Outstanding Bonds of any Issue or any maturity within an Issue or a portion of a maturity within an Issue shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of Section 12.01 of the Resolution if (a) 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 publish as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) 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 publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of which Issue of Bonds or which maturity within an Issue or the principal amount of Bonds within a maturity of an Issue payment of which shall be made in accordance with the Resolution. The Trustee shall select which Bonds of like Issue and maturity payment of which shall be made in accordance with Section 12.01 of the Resolution in the manner provided for in the Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further that Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required 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 to the Authority free from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Financing Agreement.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the Resolution, 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 moneys 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 the Resolution, the Trustee shall, if requested by the Authority,
pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by Resolution or by the Financing Agreement.

4. Option Bonds shall be deemed to have been paid in accordance with the Resolution only if there shall have been deposited with the Trustee moneys 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 the Resolution, 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 subdivision 4 of Section 12.01 of the Resolution. If any portion of the moneys 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 to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Financing Agreement.

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

(Section 12.01)
FORM OF APPROVING OPINION
OF BOND COUNSEL
November __, 1996

Dormitory Authority of the
State of New York
161 Delaware Avenue
Delmar, New York 12054-1398

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of $773,475,000 aggregate principal amount of Federally Taxable Pension Obligation Bonds, 1996 Issue (the “1996 Bonds”) 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, which is Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the “Act”).

The 1996 Bonds are issued under and pursuant to the Act and the Federally Taxable Pension Obligation Bond Resolution of the Authority, adopted October 23, 1996, as amended and supplemented to the date hereof (the “Resolution”). Unless otherwise defined herein, capitalized terms used in this opinion have the meanings assigned to them in the Resolution.

The 1996 bonds are being issued to pay the State’s obligations with respect to the Pension Fund Liability and for certain other purposes authorized by the Act and the Resolution, as in effect on the date hereof.

The 1996 Bonds are dated November 1, 1996 and bear interest from such date to be payable on October 1, 1997, and semiannually on each April 1 and October 1 thereafter. The 1996 Bonds mature on the date and in the years and amount set forth in the 1996 Issue Certificate executed in connection therewith (the “Certificate”).

The 1996 Bonds are issuable in the form of fully registered 1996 Bonds in the denomination of $5,000 or integral multiples thereof. The Bonds are payable, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolution and the Certificate. The Authority is authorized to issue Bonds, in addition to the 1996 Bonds, only upon the terms and conditions set forth in the Resolution. Such Bonds will be entitled to the benefit, protection and security of the provisions, covenants and agreements of the Resolution equally with the 1996 Bonds.

The Authority and the State of New York (the “State”) acting by and through the Director of the Budget (the “Budget Director”) have entered into a Financing Agreement, dated as of October 23, 1996, as amended and supplemented to the date hereof (the “Agreement”), by which the principal and Sinking fund Installments of and interest on the Bonds, as well as a part of the Authority’s annual administrative expenditures and costs, are to be paid each year by the State to the Authority as annual payments. All amounts payable under the Agreement, except for amounts to be paid to the Authority or to the Trustee under the Resolution for the administrative costs, expenses and fees of either of them or amounts payable to either of them pursuant to indemnities, have been pledged by the Authority for the benefit of the holders of the Bonds.

We have examined the transcript of proceedings for the issuance of the 1996 Bonds, as well as the Constitution and laws of the State and such certified proceedings and other papers as we have deemed necessary in order to render this opinion. As to any questions of fact material to our opinion, we have relied upon representations of the Authority.
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and the State, and the opinions of their counsel, contained as part of the transcript of proceedings for the issuance of the 1996 Bonds, in addition to the certified proceedings and other certifications made in connection therewith, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

(a) 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 Resolution and to issue the 1996 Bonds thereunder.

(b) The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, and is a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

(c) The 1996 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 Resolution. The 1996 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

(d) The Authority has the right and lawful authority and power to enter into the Agreement, and the Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

(e) Interest on the 1996 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.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolution, the Agreement and the 1996 Bonds may be limited by bankruptcy, insolvency, moratorium, or reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. Except as stated in paragraph 5 above, we express no opinion as to any tax consequences of the ownership or disposition of, or receipt of interest on, the 1996 Bonds.

In connection with the delivery of this opinion, we have assumed the due authorization, execution and delivery of the Agreement by the Budget Director on behalf of the State. We express no opinion as to the authorization, execution and delivery of the Agreement by the State, or as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 1996 Bonds, except to the extent, if any, stated in the Official Statement.

Very truly yours,
GLOBAL CLEARANCE, SETTLEMENT
AND
TAX DOCUMENTATION PROCEDURES
GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the globally offered Dormitory Authority of the State of New York, Federally Taxable Pension Obligation Bonds, 1996 Issue (the "Global Securities") will be available only in book-entry form. Investors in the Global Securities may hold such Global Securities through any of The Depository Trust Company ("DTC"), Cedel Bank or Euroclear. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Cedel Bank and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e. seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations.

Secondary cross-market trading between Cedel Bank or Euroclear and DTC participants holding Global Securities will be effected on a delivery against payment basis through the respective depositaries of Cedel Bank and Euroclear and as participants in DTC.

Non-U.S. holders of Global Securities will be exempt from U.S. withholding taxes, provided that such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants. See "TAX TREATMENT" in this Official Statement and "CERTAIN U.S. FEDERAL INCOME TAX DOCUMENTATION REQUIREMENTS" herein.

Initial Settlement

All Global Securities will be held in book-entry form by DTC in the of Cede & Co. as nominee of DTC. Investors' interests in the Global Securities will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Cedel Bank and Euroclear will hold positions on behalf of their participants through their respective depositaries, which in turn will hold such positions in accounts as participants of DTC.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to U.S. corporate debt obligations. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Cedel Bank or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no "lock-up" or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchase determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC participants. Secondary market trading between DTC participants will be settled using the procedures applicable to U.S. corporate debt issues in same-day funds.

Trading between Cedel Bank and/or Euroclear participants. Secondary market trading between Cedel Bank participants and/or Euroclear participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading between DTC seller and Cedel Bank or Euroclear purchaser. When Global Securities are to be transferred from the account of a DTC participant to the account of a Cedel Bank participant or a Euroclear participant, the purchaser will send instructions to Cedel Bank or Euroclear through a participant at least one business day prior to settlement. Cedel Bank or Euroclear will instruct the respective depositary to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date, on the basis of a 360-day year consisting of twelve 30-day months in the case of all 1996 Bonds. Payment will then be made by the respective depositary to the DTC participant’s account against delivery of the Global Securities. After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Cedel Bank participant’s or Euroclear participant’s account. The Global Securities credit will appear the next day (Brussels time).
and the cash debit will be back-valued to, and the interest on the Global Securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Cedel Bank or Euroclear cash debit will be valued instead as of the actual settlement date.

Cedel Bank participants and Euroclear participants will need to make available to such respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is for participants to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Cedel Bank or Euroclear. Under this approach, such participants may take on credit exposure to Cedel Bank or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Cedel Bank or Euroclear has extended a line of credit to participants, such participants can elect not to preposition funds and allow the credit line to be drawn upon to finance settlement. Under this procedure, Cedel Bank participants or Euroclear participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities were credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant’s particular cost of funds.

Since the settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending Global Securities to the respective depository for the benefit of Cedel Bank participants or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant a cross-market transaction will settle no differently than a trade between two DTC participants.

Trading between Cedel Bank or Euroclear seller and DTC purchaser. Due to time zone differences in their favor, Cedel Bank and Euroclear participants may employ their customary procedures for transactions in which Global Securities are to be transferred by the respective clearing system, through the respective depository, to a DTC participant. The seller will send instructions to Cedel Bank or Euroclear through a participant at least one business day prior to settlement. In this case, Cedel Bank or Euroclear will instruct the respective depository to deliver the Bonds to the DTC’s account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date on the basis of a 360-day year consisting of twelve 30-day months in the case of all 1996 Bonds. The payment will then be reflected in the account of the Cedel Bank participant or Euroclear participant the following day, and receipt of the cash proceeds in the Cedel Bank or Euroclear participant’s account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Cedel Bank or Euroclear participant have a line of credit with its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Cedel Bank or Euroclear participant’s account would instead be valued as of the actual settlement date.

Finally, day traders that use Cedel Bank or Euroclear and that purchase Global Securities from DTC participants for delivery to Cedel Bank participants or Euroclear participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

1. borrowing through Cedel Bank or Euroclear for one day (until the purchase side of the day trade is reflected in their Cedel Bank or Euroclear accounts) in accordance with the clearing system’s customary procedures;

2. borrowing the Global Securities in the U.S. from a DTC participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Cedel Bank or Euroclear account in order to settle the sale side of the trade; or

3. staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participants is at least one day prior to the value date for the sale to the Cedel Bank participant or Euroclear participant.

CERTAIN U.S. FEDERAL INCOME TAX DOCUMENTATION REQUIREMENTS

A holder of Global Securities holding securities through Cedel or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original interest discount) on registered debt issued by U.S. persons, unless such holder takes one of the following steps obtain an exception or reduced tax rate:
Exemption for non-U.S. persons (Form W-8). Non-U.S. persons that are Beneficial Owners can obtain a complete exemption from the withholding tax with respect to "portfolio interest" (as defined in 871(h) or 881 (c) of the Code) by filing a signed Form W-8 (Certificate of Foreign Status) or otherwise certifying that such Holder is not a U.S. person.

Exemption for non-U.S. persons with effectively connected income (Form 4224). A non-U.S. person, including a non-U.S. corporation or bank with U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing Form 4224 (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption or reduced rate for non-U.S. persons resident in treaty countries (Form 1001). Non-U.S. persons that are Beneficial Owners residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form 1001 (Ownership, Exemption or Reduced Rate Certificate). If the treaty provides only for a reduced rate, withholding tax will be imposed at that rate unless the filer alternatively files Form W-8. Form 1001 may be filed by the beneficial owner or such owner's agent.

U.S. Federal Income Tax Reporting Procedure. The Beneficial Owner or, in the case of a Form 1001 or a Form 4224 filer, such owner's agent, files by submitting the appropriate form to the person through which such owner holds (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8 and Form 1001 are effective for three calendar years and Form 4224 is effective for one calendar year. It should be noted that proposed Treasury Regulations would, if finalized in their current form, change the documentation requirements described herein.

This summary does not deal with all aspects of Federal income tax withholding that may be relevant to Beneficial Owners of Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of interests in Global Securities.