

NEW ISSUE – BOOK-ENTRY ONLY**RATINGS:** *Fitch:* “F-1+”*S&P:* “SP-1+”*Moody’s:* “MIG 1”

(See “SECTION VII: RATINGS” herein.)

In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming compliance with the tax covenants referred to herein, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and such interest will not be treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations by the Code. See “SECTION VI: TAX MATTERS” herein. It is also the opinion of Bond Counsel that interest on the Notes is exempt from personal income taxes imposed by or under the authority of the State of New York or any political subdivision thereof (including The City of New York).

NASSAU COUNTY INTERIM FINANCE AUTHORITY**(A Public Benefit Corporation of the State of New York)****\$125,895,000 Bond Anticipation Notes, Series 2001B-1****\$159,150,000 Bond Anticipation Notes, Series 2001B-2****Dated:** Date of Delivery**Due:** As shown below

The Bond Anticipation Notes, Series 2001B-1 (the “Series 2001B-1 Notes”) and Series 2001B-2 (the “Series 2001B-2 Notes” and together with the Series 2001B-1 Notes, the “Notes”) are being issued by the Nassau County Interim Finance Authority (the “Authority”), a corporate governmental agency and instrumentality of the State constituting a public benefit corporation created pursuant to the Nassau County Interim Finance Authority Act, as amended (the “Act”), pursuant to an Indenture, dated as of October 1, 2000, as supplemented (the “Indenture”), including as supplemented by the Fifth Supplemental Indenture, dated as of December 1, 2001 (the “Fifth Supplemental Indenture”), each by and between the Authority and The Bank of New York, New York, New York, as successor trustee to United States Trust Company of New York (the “Trustee”).

Interest on and principal of the Notes are payable from the proceeds of the Authority’s Series Two Bonds or renewal notes and, on the subordinate basis described herein, from the Revenues of the Authority which are derived principally from sales and compensating use taxes imposed by and within the County of Nassau, New York (the “County”) pursuant to authorization of the State. Neither the State nor the County is prohibited from amending, modifying, repealing or otherwise altering such taxes, subject, with respect to the County, to limitations set forth in the Act. The Act provides that the County will have no right, title or interest in or to Sales Tax Revenues required to be paid to the Authority, except after payment of debt service and operating expenses of the Authority and then as provided in the Authority’s agreements with the County. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES.”

The Notes will be issued only as fully registered notes, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Notes will be made in book-entry form in denominations of \$5,000 principal amount or whole multiples thereof. Purchasers will not be entitled to receive physical delivery of the Notes.

Principal and interest on the Notes (with interest accruing from the dated date and payable on its due date as set forth below) will be payable to DTC by the Trustee. So long as DTC or its nominee remains the registered owner, disbursements of such payments to DTC Participants are the responsibility of DTC and disbursements of such payments to the purchasers of the Notes are the responsibility of DTC Participants, as described herein.

The Notes are not subject to redemption prior to maturity.

\$125,895,000 Bond Anticipation Notes, Series 2001B-1

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
July 18, 2002	\$125,895,000	2.50%	1.50%

\$159,150,000 Bond Anticipation Notes, Series 2001B-2

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
May 2, 2002	\$40,000,000	2.50%	1.35%
September 12, 2002	\$100,000,000	2.50	1.55
December 5, 2002	\$19,150,000	2.50	1.70

THE NOTES ARE NOT A DEBT OF EITHER THE STATE OR THE COUNTY, AND NEITHER THE STATE NOR THE COUNTY SHALL BE LIABLE THEREON, NOR SHALL THE NOTES BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE AUTHORITY.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Offering Circular to obtain information essential to making an informed investment decision.

The Notes are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality of the Notes and certain other matters by Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the General Counsel of the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Clifford Chance Rogers & Wells LLP, New York, New York. It is expected that the Notes will be available for delivery in New York, New York, on or about December 20, 2001.

Goldman, Sachs & Co.**First Albany Corporation****M•R•Beal & Company****Ramirez & Co., Inc.****Morgan Stanley****Merrill Lynch & Co.****UBS PaineWebber Inc.****Salomon Smith Barney****Quick & Reilly, Inc.****Roosevelt & Cross Incorporated**

The information in this Offering Circular has been provided by the Authority, the County and other sources considered by the Authority to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

The Underwriters have provided the following sentence for inclusion in this Offering Circular. The Underwriters have reviewed the information in this Offering Circular in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation with respect to the Notes, other than those contained in this Offering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Notes, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Circular contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect economic conditions in the County and the amount of Sales Tax Revenues (as defined herein), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Offering Circular, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Offering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY CORPORATION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY OF TERMS

The following is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular. Terms used in this summary and not defined herein are defined in “APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT.”

Issuer	The Nassau County Interim Finance Authority (the “Authority”) is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as amended from time to time (the “Act”).
Securities Offered	<p>The \$125,895,000 Bond Anticipation Notes, Series 2001B-1 (the “Series 2001B-1 Notes”) and the \$159,150,000 Bond Anticipation Notes, Series 2001B-2 (the “Series 2001B-2 Notes” and together with the Series 2001B-1 Notes, the “Notes”) are to be issued pursuant to an Indenture, dated as of October 1, 2000, as supplemented, including as supplemented by the Fifth Supplemental Indenture, dated as of December 1, 2001 (such Indenture as from time to time amended or supplemented by said and other Supplemental Indentures being herein called the “Indenture”), by and between the Authority and the Trustee. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES.”</p> <p>The Notes will be payable from the proceeds of the Authority’s Series Two Bonds or renewal notes and, on the subordinate basis described herein, from Revenues. As described herein, the Authority may apply other available moneys to the payment of the Series 2001B-2 Notes. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES.”</p>
Trustee	The Bank of New York, New York, New York, as successor trustee to United States Trust Company of New York. See “SECTION XIII: TRUSTEE.”
Servicer	The New York State Department of Taxation and Finance collects Sales Tax Revenues, described below, and reports the amount of such collections to the State Comptroller. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Servicing – Sales Tax Collection.”
Disbursement Agent.....	Collections of Sales Tax Revenues are remitted to the State Comptroller who holds such collections in trust for the Authority. The State Comptroller deposits such Revenues with the Trustee, in accordance with instructions from the Authority, for payment of Debt Service and other expenses of the Authority. Such collections are applied, in accordance with the Act, in the following order of priority: first, pursuant to the Authority’s contracts with bondholders, including payment of Debt Service, then to pay Authority expenses not otherwise provided for, and then, pursuant to the Financing Agreement between the Authority and the County, to the County as frequently as practicable. For information regarding payment of Sales Tax Revenues to the Authority, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Sales Tax Revenues.”

Not Debt of State or County	The Notes are not a debt of either the State or the County, and neither the State nor the County shall be liable thereon. The Notes are not payable out of any funds other than those of the Authority. The State is not obligated to make any additional payments or impose any taxes to satisfy the Debt Service obligations of the Authority.
Bankruptcy Prohibition.....	The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code. In addition, under the Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority Notes and Bonds remain Outstanding.
Purpose of Issue	The proceeds from the sale of the Notes will be used to provide for the payment of certain Financeable Costs, including (i) approximately \$160,000,000 for annual cash flow needs, (ii) approximately \$100,000,000 for tax certiorari settlements and related judgments, (iii) approximately \$16,600,000 for other judgments and (iv) approximately \$9,500,000 for reassessment funding. Certain expenses of the Authority and the County incurred in connection with the issuance and sale of the Notes will be paid from the proceeds of the Notes.
Sales Tax Revenues	<p>The Notes will be payable from the proceeds of the Series Two Bonds or renewal notes, and, on the subordinate basis described herein, are payable from the Authority’s Revenues. As described herein, the Authority may apply other available moneys to the payment of the Series 2001B-2 Notes. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Certain Other Payments.”</p> <p>Revenues consist of Sales Tax Revenues which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law and investment earnings on money and investments on deposit in the Accounts established under the Indenture. Sales Tax Revenues are defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County, currently at the rate of 4¼%, on the sale and use of tangible personal property and services in the County (the “Local Sales Tax”) but excluding (i) the ¼% component of the Local Sales Tax that the County is required to allocate to towns and cities within the County under the Local Government Assistance Program established by the County and authorized pursuant to Section 1262-e of the State Tax Law, and (ii) the 1/12% component of the Local Sales Tax the County is authorized to allocate to villages within the County, which has established a local government assistance program for such villages. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Sales Tax Revenues.” The Act provides that the County will have no right, title or interest in or to Sales Tax Revenues required to be paid to the Authority, except after payment of debt service and operating expenses of the Authority pursuant to the Authority’s contracts with bondholders and then as provided in the Authority’s agreements with the County. To the</p>

	<p>extent that amounts paid by the County to the Authority as payments of principal of or interest accruing on the County TANs (as defined herein) are sufficient to pay principal and interest on the Series 2001B-2 Notes, no Revenues shall be set aside for principal and interest on the Series 2001B-2 Notes, unless an Officer's Certificate of the Authority is filed with the Trustee stating that such amounts are insufficient. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or County.</p>
Enabling Legislation	<p>The Act, which became effective June 23, 2000, provides for the issuance of bonds, notes and other evidences of indebtedness by the Authority, including the Series Two Bonds and the Notes, the payment of the Series Two Bonds and, on the subordinate basis described herein, the Notes from Sales Tax Revenues, and the statutory and contractual covenants of the Authority, the County and the State.</p>
State Covenant	<p>The Act and the Indenture contain the covenant of the State with the Noteholders (the "State Covenant") that the State shall not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders of the Notes or the security for the Notes until such Notes, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Notes, are fully paid and discharged.</p> <p>The State Constitution allows the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the Local Sales Tax. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or the County.</p> <p>For more information regarding the State Covenant, see "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Agreements of the State and the County."</p>
County Covenant	<p>In accordance with the Act, the County will, in the Agreement hereinafter defined, pledge and agree with the Noteholders (the "County Covenant") that the County will not limit, alter or impair the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Notes until the Notes are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the County may have to amend, modify or otherwise alter local laws imposing or relating to the Local Sales Tax so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 200% of maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness then outstanding.</p>

	<p>For more information regarding the County Covenant, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Agreements of the State and the County.”</p>
Other Series of Notes and Bonds	<p>The Authority has previously issued \$254,720,000 of its Sales Tax Secured Bonds, Series 2000A (the “Series 2000A Bonds”) and \$181,480,000 of its Sales Tax Secured Bonds, Series 2001A (the “Series 2001A Bonds”), all of which are Outstanding. In addition, the Authority has issued its Bond Anticipation Notes, Series 2000A-1, of which \$19,360,000 is currently Outstanding (the “Series 2000 Notes”) and Series 2001A-1, of which \$180,920,000 is currently Outstanding. Other Series of Bonds and Notes are expected to be issued from time to time by the Authority. The Authority has received funds from the payment on November 21, 2001 of certain County tax anticipation notes which are sufficient to pay, when due on December 19, 2001, the principal of and interest on the Outstanding Series 2000 Notes. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Additional Notes and Bonds.”</p> <p>The Act authorizes the issuance of Bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, the Authority may issue Bonds up to limits as currently set forth in the Act, exclusive of any Bonds issued to finance reserves, capitalized interest or costs of issuing such obligations, to refinance the County’s indebtedness (up to \$415 million) and tax certiorari judgments and settlements of the County (up to \$400 million if the proceeding commenced before June 1, 2000, and up to \$100 million in each ensuing County fiscal year 2001 through 2004, with respect to proceedings commenced on or after such date). The Act currently provides that the Authority may not issue Bonds after December 31, 2004, other than Bonds or notes to retire or otherwise refund Authority debt. No Bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issue.</p> <p>The Indenture provides that other Series of Bonds means those Bonds and notes that may be issued: (i) as Senior Bonds on a parity with other Series of Senior Bonds, including the Series 2000A Bonds and the 2001A Bonds; (ii) as subordinate to the Bonds (or notes in anticipation thereof); but (iii) no Series of Senior Bonds or notes on a parity with other Series of Senior Bonds, including the Series 2000A Bonds and the Series 2001A Bonds, shall be authenticated and delivered unless the amount of Sales Tax Revenues received by the Authority for the twelve consecutive calendar months ended not more than three months prior to the calculation date less the aggregate amount of operating expenses of the Authority for the current fiscal year is at least three (3) times the amount of annual Debt Service, including Debt Service on the Series of Bonds proposed to be issued, for each fiscal year Bonds will be Outstanding.</p> <p>Upon the issuance of additional Senior Bonds, under the circumstances and in the amounts described herein under “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES—Additional Notes and</p>

	<p>Bonds,” the Authority may be required to fund a Debt Service Liquidity Account which amounts would be available to pay Debt Service on all Senior Bonds. See “APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT.”</p>
Interest and Principal	<p>The Notes will be dated the date of delivery and will bear interest at the rates and will mature on the dates set forth on the cover page of this Offering Circular.</p>
Form and Denomination	<p>The Notes will be issued in book-entry only form and in denominations of \$5,000 or whole multiples thereof.</p>
Indenture	<p>The Indenture provides for the issuance of the Notes pursuant to the Act, including the Authority’s pledge to the Trustee of the revenues, accounts and statutory and contractual covenants contained therein. The Trustee is authorized to enforce the Indenture and such covenants against the Authority, the County and the State.</p>
Financing Agreement.....	<p>The Financing Agreement, dated as of October 1, 2000, between the Authority and the County (the “Agreement”), provides for the application of Bond and note proceeds to pay Financeable Costs, including funding certain expenditures of the County, and includes covenants of the County pledged to the benefit of Noteholders.</p>
Collection Account	<p>The State Comptroller is required by the Act, commencing on or before the twelfth day of each month, to pay Sales Tax Revenues collected during the next preceding calendar month (with partial payments to be made on or before the last day of June and December consisting of collections made during the first 25 days of such months) to the Authority for application in accordance with the Act. The Authority has instructed the State Comptroller to pay Sales Tax Revenues directly to the Trustee for application in accordance with the Act and the Indenture. See “Application of Revenues” below.</p> <p>All Revenues received by the Authority shall be promptly deposited into the Collection Account.</p>
Tax Exemption.....	<p>In the opinion of Hawkins, Delafield & Wood, Bond Counsel to the Authority, which is based on existing law, interest on the Notes is exempt from personal income taxes imposed by the State and its political subdivisions and, assuming compliance with the tax covenants referred to herein, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. See “SECTION VI: TAX MATTERS.”</p>
Ratings	<p>The Notes have been rated “F-1+” by Fitch Inc. (“Fitch”), “SP-1+” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”) and “MIG 1” by Moody’s Investors Service, Inc. (“Moody’s”) (each a “Rating Agency” and, collectively, the “Rating Agencies”). A security rating should be evaluated independently of similar ratings of different types of securities. A rating is not a recommendation to buy, sell or hold securities and may</p>

be subject to a revision or withdrawal at any time by the assigning rating organization. See “SECTION VII: RATINGS.”

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SECTION I: INTRODUCTION

This Offering Circular of the Nassau County Interim Finance Authority (the “Authority”) sets forth information concerning the Authority in connection with the sale of the Authority’s \$125,895,000 Bond Anticipation Notes, Series 2001B-1 (the “Series 2001B-1 Notes”) and \$159,150,000 Bond Anticipation Notes, Series 2001B-2 (the “Series 2001B-2 Notes” and together with the Series 2001B-1 Notes, the “Notes”). The Authority is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as amended from time to time (the “Act”).

The Notes and the Sales Tax Secured Bonds, Series Two (the “Series Two Bonds”), in anticipation of which the Notes are being issued, are authorized to be issued pursuant to the Act and an Indenture, dated as of October 1, 2000, as supplemented, including as supplemented by the Fifth Supplemental Indenture (the “Fifth Supplemental Indenture”), dated as of December 1, 2001 (such Indenture as from time to time amended or supplemented by said and other Supplemental Indentures being herein called the “Indenture”), by and between the Authority and The Bank of New York, as successor trustee to United States Trust Company of New York (the “Trustee”). See “SECTION XIII: TRUSTEE.” The Authority and the County of Nassau, New York (the “County”) have entered into a Financing Agreement (the “Agreement”), dated as of October 1, 2000, which provides, among other things, for the application of the Note proceeds. A summary of certain provisions of the Indenture and the Agreement, together with certain defined terms used therein and in this Offering Circular, is contained in Appendix B hereto.

The Notes will be payable from the proceeds of the Series Two Bonds or renewal notes and, on the subordinate basis described herein, from the Revenues of the Authority which are derived principally from sales and compensating use taxes imposed by and within the County pursuant to authorization of the State. As described herein, the Authority may apply other available moneys to the payment of the Series 2001B-2 Notes. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES.”

On June 23, 2000 the Governor signed into law the Act creating the Authority. Under the Act, the Authority has both limited authority to oversee the County’s finances, including covered organizations as defined in the Act (“Covered Organizations”), and upon the declaration of a “control period,” additional oversight authority. The Authority is required to review the terms of and comment on the prudence of each proposed issuance of bonds or notes proposed to be issued by the County, and no such borrowing shall be made unless first reviewed and commented upon and, during a control period, approved by the Authority. Upon request of the County, the Authority has the power to issue its Bonds and notes to pay Financeable Costs, all as more fully described below. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Authority Bonds.”

The Act authorizes the issuance of Bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, the Authority may issue Bonds up to limits as currently set forth in the Act, exclusive of any Bonds issued to finance reserves, capitalized interest or costs of issuing such obligations, to refinance the County’s indebtedness (up to \$415 million) and tax certiorari judgments and settlements of the County (up to \$400 million if the proceeding commenced before June 1, 2000, and up to \$100 million in each ensuing County fiscal year through 2004, with respect to proceedings commenced on or after such date). Bonds issued to refund Bonds theretofore issued for purposes subject to the debt limits described above are not counted against such limits. The Act currently provides that the Authority may not issue Bonds or notes after 2004, other than to retire or otherwise refund Authority debt. No Bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issue. For additional

information regarding the issuance of parity or subordinate obligations of the Authority, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Additional Notes and Bonds.”

The Authority has previously issued its Sales Tax Secured Bonds, Series 2000A (the “Series 2000A Bonds”) in the original principal amount of \$254,720,000 and its Sales Tax Secured Bonds, Series 2001A (the “Series 2001A Bonds”) in the original principal amount of \$181,480,000. The Series 2000A Bonds and the Series 2001A Bonds are the only Outstanding Senior Bonds. In addition, the Authority has issued its Bond Anticipation Notes, Series 2000A-1, of which \$19,360,000 are currently Outstanding (the “Series 2000 Notes”) and Series 2001A-1, of which \$180,920,000 are currently Outstanding (the “Series 2001A Notes”). The Series 2001A Notes and the Series 2000 Notes will be on a parity with the Notes. Although the Outstanding Series 2000 Notes, the Series 2001A Notes and the Series 2001B-2 Notes are payable, as further described herein, from a Series of Senior Bonds authorized in connection therewith, each of the foregoing series of notes are expected to be paid at their respective maturities from revenues of the County paid to the Authority. The Authority has received funds from the payment on November 21, 2001 of certain County tax anticipation notes which are sufficient to pay, when due on December 19, 2001, the principal of and interest on the Outstanding Series 2000 Notes. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Certain Other Payments.”

SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES

General

The Act and the Indenture authorize the Authority to issue the Notes and to secure the repayment of the Notes with the issuance of Bonds of the Authority or with renewal notes. The Notes shall be payable from the proceeds of the Authority’s Series Two Bonds (the proceeds of which are pledged to retire the Notes and which pledge shall have a priority over any other pledge of such proceeds created by the Indenture) or renewal notes and from Revenues, all on a parity with the Series 2000 Notes and the Series 2001A Notes, as described below. In addition, the Authority may apply other available moneys of the Authority for the payment of the Series 2001B-2 Notes as described below under “Certain Other Payments.”

The Authority has taken all actions necessary to authorize the issuance of the Series Two Bonds and renewal notes. Such Bonds or renewal notes may be issued on or prior to the maturity date of any of the Notes. The Authority has sufficient capacity under the terms of the Act to issue a Series of Senior Bonds in anticipation of which the Notes are being issued as well as renewal notes. The Authority has covenanted that it will not prior to issuing the Series Two Bonds issue other Series of Bonds (other than the Series of Bonds authorized in anticipation of which the Series 2000 Notes and the Series 2001A Notes were issued) in an amount that precludes the issuance of the Series Two Bonds or the principal of and interest on which preclude issuance of the Series Two Bonds pursuant to the Indenture.

The Notes will receive a subordinate pledge, on a parity with the Series 2000 Notes and the Series 2001A Notes, of the Authority’s right, title and interest in the Revenues of the Authority, which are required by the Act to be paid to the Authority. In accordance with the Act and the Indenture, Authority Revenues will be applied first, pursuant to the Authority’s contracts with bondholders, to the payment of Debt Service, then to the payment of Subordinate Bonds and Subordinate Notes, then to pay Authority expenses not otherwise provided for, then (as provided in the Fifth Supplemental Indenture) to the payment of the Notes, and then, pursuant to the Agreement between the Authority and the County, to the County as frequently as practicable. The Authority’s Revenues are derived from the amounts payable to it from Sales Tax Revenues. See “Sales Tax Revenues” below. Pursuant to the Act and the Indenture, the Authority has pledged the Revenues to the Trustee for payment of the Notes on a basis subordinate to Senior Bondholders, holders of Subordinate Bonds and Subordinate Notes and Authority expenses. The

application of Revenues to pay items after the payment of Debt Service may be provided for by Supplemental Indentures. The Fifth Supplemental Indenture provides that the payment of interest on and principal of the Notes shall be a subordinate obligation of the Authority payable after Authority Operating Expenses on a parity with the Series 2000 Notes and the Series 2001A Notes, as described in the chart entitled “Summary of Collection and Application of Sales Tax Revenues” under “Application of Revenues” below. The Notes shall not be Subordinate Notes of the Authority as described in the chart entitled “Summary of Collection and Application of Sales Tax Revenues” under “Application of Revenues” below.

The Authority does not have, nor is it expected to have, any significant assets or sources of funds other than Sales Tax Revenues and amounts on deposit pursuant to the Indenture, including amounts, if any, received from the County pursuant to the arrangements described under “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Certain Other Payments.” The Notes will not be insured or guaranteed by the County, the State or the Trustee. The State is not obligated to make any additional payments or impose any taxes to satisfy the Debt Service obligations of the Authority. See “Sales Tax Revenues” below.

The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code. In addition, under the Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority Bonds remain Outstanding. Under the Act, the term Covered Organizations includes the Nassau County Health Care Corporation and any other governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the County, excluding the Authority, any State public authority, any instrumentality created by interstate compact and any governmental agency, public authority or public benefit corporation exempted by the Authority upon the Authority’s finding that such exemption does not materially adversely affect the ability of the County to adopt and maintain a budget pursuant to the Act, provided that, during the period of such exemption, there shall be audited financial statements of such exempted entity prepared in accordance with generally accepted accounting principles.

Sales Tax Revenues

The Notes, on the subordinate basis described herein, are payable from the Authority’s Revenues which consist principally of Sales Tax Revenues which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law and investment earnings on money and investments on deposit in the Accounts established under the Indenture. Sales Tax Revenues are defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County, currently at the rate of 4¼%, on the sale and use of tangible personal property and services in the County (the “Local Sales Tax”) but excluding (i) the ¼% component of the Local Sales Tax that the County is required to allocate to towns and cities within the County under the Local Government Assistance Program established by the County and authorized pursuant to Section 1262-e of the State Tax Law, and (ii) the up to 1/12% component of the Local Sales Tax the County is authorized to allocate to villages within the County under a local government assistance program for such villages. The Local Sales Tax is one of the major sources of revenue for the County, accounting for approximately one-half of County General Fund revenues in recent years. The current total sales tax rate in the County is 8½%, of which 4¼% is the State’s share and 4¼% is the Local Sales Tax. For a description of the servicing and application of Sales Tax Revenues, see “Servicing-Sales Tax Collection” and “Application of Revenues” below.

Pursuant to authorizing legislation enacted by the State in 1965, the County has imposed a Local Sales Tax since 1969, at a base rate of 2% which was increased to 3% in 1972. In addition, for a one-year period commencing September 1976 and continuously since June 1983, the State has authorized the County to impose various incremental rates in addition to the base rate of 3%. Since 1986, enabling legislation has been enacted periodically by the State permitting the County to increase the Local Sales Tax rate for a generally two-year period by three-quarters of one percent, from the base rate of 3% to 3¾%, with one-third of such increment (equivalent to a ¼% component) required to be allocated to towns and cities within the County. In addition, since 1991, enabling legislation has been enacted periodically by the State permitting the County to increase the Local Sales Tax rate for a generally two-year period by an additional one-half of one percent, from 3¾% to 4¼%.

Since 1997, the legislation extending the 4¼% Local Sales Tax rate also authorized the County to establish a local government assistance program for the villages within the County and to allocate up to one-sixth of the ¾% incremental component (equivalent to a 1/12% component) of the Local Sales Tax remaining after required allocations are made to towns and cities within the County to the villages. Such a program would result in a loss to the County of up to the 1/12% component of the Local Sales Tax. The County enacted a proposal to share a portion of Local Sales Tax revenue with the villages for its 2001 fiscal year. As a result, the amount of such Local Sales Tax allocated to this program will be excluded from Sales Tax Revenues. The amount so excluded from Sales Tax Revenues for the 2001 fiscal year of the County is expected to be approximately \$250,000 and for the 2002 fiscal year of the County the amount so excluded from Sales Tax Revenues is projected by the County to be approximately \$250,000.

The County Legislature has adopted local laws to implement the State's authorization to impose both the additional three-quarters of one percent and the additional one-half of one percent through November 30, 2003, the current limit of the State's authorization for such incremental components. If such provisions are not renewed, the existing 3% base rate will be in effect. No assurance can be given that either the County Legislature or the State will enact legislation extending the effective date of the additional three-quarters of one percent and the additional one-half of one percent components of the Local Sales Tax beyond November 30, 2003. The following table sets forth the dates that incremental sales tax components in addition to the 3% base rate have been in effect since 1980:

Effective Dates	Incremental Rate	Total Local Sales Tax Rate
June 1, 1983 through December 31, 1985	1.00%	4.00%
January 1, 1986 through August 31, 1991	0.75%	3.75%
September 1, 1991 through November 30, 2003	1.25%	4.25%

The amount of future Sales Tax Revenues to be collected depends upon various factors including the economic conditions in the County. Economic conditions in the County have reflected numerous cycles of growth and recession. There can be no assurance that historical data relating to economic conditions in the County are predictive of future trends. For more information regarding the economic conditions in the County, see "APPENDIX A — ECONOMIC AND DEMOGRAPHIC STATISTICS." In addition, the State has in the past enacted amendments to the Tax Law to exempt specified goods and services from the imposition of the sales and compensating use tax, such as the recent action taken by the State to phase out the sales tax on the transmission and delivery of gas and electricity, or to reduce the rate of the sales tax on such goods and services. There can be no assurance that future proposals will not result in additional exemptions or reductions.

Pursuant to legislation effective March 1, 2000, the State's share of the sales tax on the purchase of items of clothing (including footwear) under \$110 was eliminated and local governments were provided the option of applying such exemption to the local share of the sales tax on such items as well.

Although such local share was eliminated in the municipalities bordering the County (Suffolk County and New York City), the County Legislature has not adopted such exemption. The impact of the availability of such exemption in the geographic areas bordering the County on County Sales Tax Revenues has not been determined.

The September 11, 2001 terrorist attack on the World Trade Center in New York City is expected to have a negative impact on the regional economy. In addition, the State has extended tax-filing deadlines for certain taxpayers. The effect of these events on Sales Tax Revenues has not been quantified.

The following table sets forth the history of the County's Local Sales Tax collections since 1981, as reported on a modified accrual basis in the County's financial statements. The amounts do not include the ¼% component of the Local Sales Tax the County has been required to allocate to towns and cities within the County under the County's Local Government Assistance Program since 1985, which are excluded from Sales Tax Revenues. However, the amounts set forth below do not exclude any allocations to villages within the County because prior to 2001, no local government assistance program for villages existed. From fiscal year 1981 to fiscal year 2000, the average annual compound growth rate for Local Sales Tax collections was approximately 6.56%.

**SALES TAX COLLECTIONS
EXCLUSIVE OF LOCAL GOVERNMENT ASSISTANCE PROGRAM ALLOCATION
(000's omitted)**

Fiscal Year	Actual Sales Tax Revenues	Fiscal Year	Actual Sales Tax Revenues
1981	\$226,020	1991 ⁽³⁾	\$469,913
1982	233,956	1992	520,129
1983 ⁽¹⁾	296,773	1993	553,983
1984	363,847	1994	575,562
1985	378,664	1995 ⁽⁴⁾	435,282
1986 ⁽²⁾	386,857	1996 ⁽⁴⁾	788,329
1987	416,415	1997	653,091
1988	431,933	1998	673,431
1989	452,736	1999	713,931
1990	450,971	2000	755,966

(1) Local Sales Tax rate increased from 3% to 4% at the beginning of June and remained at 4% through 1985.

(2) Local Sales Tax rate reduced from 4% to 3¾% at the beginning of 1986.

(3) Local Sales Tax rate increased from 3¾% to 4 ¼% effective September 1, 1991.

(4) Fiscal Year 1995 was a 9-month year, and Fiscal Year 1996 was a 15-month year.

SOURCE: Office of the County Comptroller.

Retail space in the County in 1997, according to the 1997 Economic Census of Retail Trade prepared by the U.S. Census Bureau, contained 6,751 establishments with \$16.48 billion in sales. Major contributors to retail sales activity, not all of which may be subject to the sales and compensating use tax, include: motor vehicles and parts dealers, with 445 establishments accounting for \$3.67 billion in sales; food and beverage stores, with 1,134 establishments accounting for \$2.36 billion in sales; nonstore retailers (such as mail order shopping), with 383 establishments accounting for \$2.14 billion in sales; general merchandise stores such as department stores, with 109 establishments accounting for \$1.73 billion in sales; clothing and accessories stores, with 1,248 establishments accounting for \$1.45 billion in sales; health and personal care stores, with 641 establishments accounting for \$1.07 billion in sales; and

building material, garden equipment and supplies dealers, with 390 establishments accounting for \$1.09 billion in sales.

As set forth in the following table of New York State's top retailing counties, the most recent census of business in 1997 showed the County to be ranked second in the State for retail sales.

NEW YORK STATE TOP RETAILING COUNTIES
(000's omitted)

	1997 Rank	1997 Retail Sales	1992 Rank	1992 Retail Sales	1987 Rank	1987 Retail Sales
New York (Manhattan)....	1	\$19,502,446	1	\$17,442,237	1	\$18,458,135
Nassau	2	16,483,581	2	13,752,351	2	12,813,207
Suffolk	3	13,509,684	3	10,795,088	3	9,011,740
Westchester.....	4	9,188,974	4	7,441,033	6	7,469,056
Queens	5	8,755,996	5	7,331,563	5	7,524,448
Erie	6	8,036,261	6	7,244,316	7	5,762,669
Kings	7	7,983,578	7	6,922,469	4	7,981,253
Monroe	8	6,513,211	8	5,607,577	8	5,053,453
Onondaga.....	9	4,372,310	9	3,814,020	9	3,218,631
Albany	10	3,567,220	10	3,045,916	N/A	N/A

SOURCE: U.S. Census Bureau, Retail Trade.

The County is served by six regional shopping centers: The Broadway Mall in Hicksville, Roosevelt Field in Garden City, Green Acres in Valley Stream, "Miracle Mile" in Manhasset, Sunrise Mall in Massapequa and The Source in Westbury. Major retailers in the County include Saks Fifth Avenue, Lord & Taylor, Nordstrom's, Home Depot, Costco, Bloomingdale's, Sears, Fortunoff, Macy's, KMart, J.C. Penney and Target. In June 1998, a study by the Nassau County Planning Commission indicated the regional shopping centers in the County contained 903 retail establishments and 8,073,641 square feet. Altogether, there are 363 shopping centers with 23,873,929 square feet with 4,877 stores.

Authority Bonds

Pursuant to the Act, the Authority has the power to issue its bonds and notes for the purpose of refinancing or restructuring a portion of the County's outstanding debt, and financing capital project costs, tax certiorari judgments and settlements incurred or to be incurred by the County, the County's cash flow needs, certain retirement incentive programs and amounts necessary to finance any County deficit to the extent authorized by State law. Bonds may only be issued by the Authority upon a request therefor by the County made by the County Executive and approved by the County Legislature. Any such issuance of Bonds shall be at the discretion of the Authority and shall be consistent with the County's adopted budget and financial plan, as applicable. The Authority may not issue bonds, other than Bonds to refund Authority Bonds previously issued, after December 31, 2004. In addition, no Bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issue.

Bonds of the Authority may be issued, amortized, redeemed and refunded without regard to the provisions of the State's Local Finance Law; except that the principal amount of outstanding bonds of the Authority shall be deemed indebtedness of the County for purposes of ascertaining the amount of indebtedness the County may contract pursuant to the State's Local Finance Law and State Constitution and the Authority shall not exceed such limitation.

Set forth in the following table is the total Debt Service payable on Outstanding Bonds of the Authority. The amounts in the following table do not include Debt Service on any Authority notes, including the Notes.

OUTSTANDING BONDS DEBT SERVICE

<u>12-Month Period Ending December 31</u>	<u>Total Bond Debt Service</u>
2001	\$17,656,224
2002	33,945,396
2003	34,173,696
2004	34,157,601
2005	37,460,051
2006	36,885,276
2007	37,431,144
2008	37,409,994
2009	37,390,819
2010	36,859,500
2011	36,864,913
2012	37,394,294
2013	37,320,538
2014	36,669,375
2015	36,818,013
2016	36,816,150
2017	37,332,075
2018	37,337,675
2019	37,334,619
2020	36,774,369
2021	<u>14,470,456</u>
Total	\$728,502,177

Additional Notes and Bonds

The Act does not limit the amount of notes and Bonds that the Authority may issue for the purposes of financing Financeable Costs, including the County's cash flow needs. The Authority may from time to time issue Subordinate Notes or notes secured by the Revenues subordinate to the Authority's Operating Expenses and on a parity with the Notes as described herein. The Act currently provides that the maximum amount of Bonds that the Authority may issue (i) to refinance or restructure the County's outstanding debt may not exceed \$415 million and (ii) to finance tax certiorari judgments and settlements incurred or to be incurred by the County may not exceed \$400 million, in the case of certiorari proceedings commenced on or before June 1, 2000, and \$100 million with respect to each ensuing fiscal year through 2004, in the case of certiorari proceedings commenced on or after such date, exclusive of any Bonds issued to finance reserves, capitalized interest or costs of issuing such obligations. Bonds issued to refund Bonds theretofore issued for purposes subject to the debt limits described above are not counted against such limits.

The Indenture provides that other Series of Bonds and notes may be issued only (i) as Senior Bonds or notes on a parity with other Series of Senior Bonds, including the Series 2000A Bonds and the Series 2001A Bonds, or (ii) as subordinate to the Senior Bonds or notes, but (iii) no Series of Bonds or

Notes on a parity with other Series of Senior Bonds, including the Series 2000A Bonds and the Series 2001A Bonds, shall be authenticated and delivered unless the amount of Sales Tax Revenues received by the Authority for the twelve consecutive calendar months ended not more than three months prior to the calculation date less the aggregate amount of operating expenses of the Authority for the current fiscal year is at least three times the amount of annual Debt Service (excluding any accrued or capitalized interest), including such Series of Bonds, for each Fiscal Year Bonds will be Outstanding. See “APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT” and see the subheading “General” above in this Section for certain covenants in connection with the issuance of the Notes.

In addition, no Senior Bonds may be issued unless there is deposited to the Debt Service Liquidity Account from the proceeds of such Bonds an amount equal to any Debt Service Liquidity Account Requirement that may be in effect. Money, if any, on deposit in the Debt Service Liquidity Account is held in trust under the Indenture and applied to remedy any shortfall in the Bond Account in amounts due on Debt Service, except that money on deposit in such account in excess of the Debt Service Liquidity Account Requirement will be transferred to the Collection Account. The Debt Service Liquidity Requirement means an amount equal to one-twelfth of the maximum total Principal Installments and interest becoming due in the current or any future Fiscal Year on Senior Bonds or zero if the Authority’s projected maximum required monthly deposit of Sales Tax Revenues upon the issuance of such Senior Bonds is no greater than one-half of the lowest monthly Sales Tax Revenue collections in the last 24 calendar months. See “APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT.”

Servicing—Sales Tax Collection

Sales Tax is collected by vendors and service providers in the County and remitted to the New York State Department of Taxation and Finance monthly, quarterly or annually based on the volume of sales. The New York State Department of Taxation and Finance reports the amounts of such collections to the State Comptroller, and such amounts are deposited daily with such banks, banking houses or trust companies, as may be designated by the State Comptroller, to the credit of the State Comptroller in trust for the Authority to the extent net collections from sales taxes imposed by the County are payable to the Authority. After retaining such amount as the State Commissioner of Taxation and Finance may determine to be necessary for refunds and for the reasonable costs of the State Tax Commissioner in administering, collecting and distributing such taxes, on or before the twelfth day of each month, the State Comptroller is required to pay to the Authority Sales Tax Revenues collected during the next preceding calendar month, provided, however, that the State Comptroller is required to make a partial payment on or before the last day of June and December consisting of collections made during and including the first 25 days of such months. The amount of Sales Tax Collections received by the Authority each month in a year may vary from the amount for such month received by the Authority in prior years because of the impact of amounts deducted from or added to such payments to reflect the recalculation by the New York State Department of Taxation and Finance of actual amounts of Sales Tax Revenues collected. The Authority has instructed the State Comptroller to pay Sales Tax Revenues directly to the Trustee for application in accordance with the Act and the Indenture. For more information regarding the application of Sales Tax Revenues upon receipt by the Trustee, see “Application of Revenues” below. The following table sets forth, on a cash basis, monthly distributions of Local Sales Tax collections since 1997, including the ¼% component (except as otherwise indicated in the footnote following such table) allocated to cities and towns within the County which is not included in Sales Tax Revenues.

**MONTHLY SALES TAX COLLECTION DISTRIBUTIONS
TO THE COUNTY FROM THE STATE COMPTROLLER**

Date	1997	1998	1999	2000	2001
JANUARY	\$ 18,703,504.61	\$ 16,058,384.56	\$14,305,290.14	\$ 30,295,075.04	\$ 20,421,900.35*
FEBRUARY	57,611,378.63	57,861,127.08	59,086,399.58	66,434,119.91	64,057,311.19*
MARCH	47,931,772.55	47,439,512.50	47,431,477.69	49,062,096.84	46,827,146.61*
APRIL	63,783,022.01	65,663,181.75	68,285,771.62	68,968,087.84	90,016,597.12*
MAY	48,044,637.40	50,032,546.10	55,861,639.69	63,144,900.82	55,382,600.36*
JUNE	105,002,328.01	107,953,703.45	112,241,792.62	110,342,997.63	120,723,019.38*
JULY	15,682,647.89	19,218,261.48	16,565,561.47	26,029,878.99*	17,701,029.90*
AUGUST	52,717,069.10	55,753,166.26	58,233,821.71	66,215,678.57*	62,638,507.79*
SEPTEMBER	51,419,936.20	52,296,390.70	55,746,907.95	59,518,150.30*	58,954,205.32*
OCTOBER	74,139,415.07	77,201,871.74	75,511,927.98	82,428,051.13*	68,480,592.97*
NOVEMBER	50,639,170.16	51,553,651.67	60,068,835.27	58,846,628.80*	53,609,813.42*
DECEMBER	111,586,339.78	115,701,433.06	112,995,168.23	117,104,789.59*	
TOTALS	\$697,261,221.41	\$716,733,230.35	\$736,334,593.95	\$798,390,455.46	\$ 658,812,724.41*

* Received by Authority. Amounts received by the Authority beginning in October 2000 exclude the ¼% component allocated to cities and towns within the County.

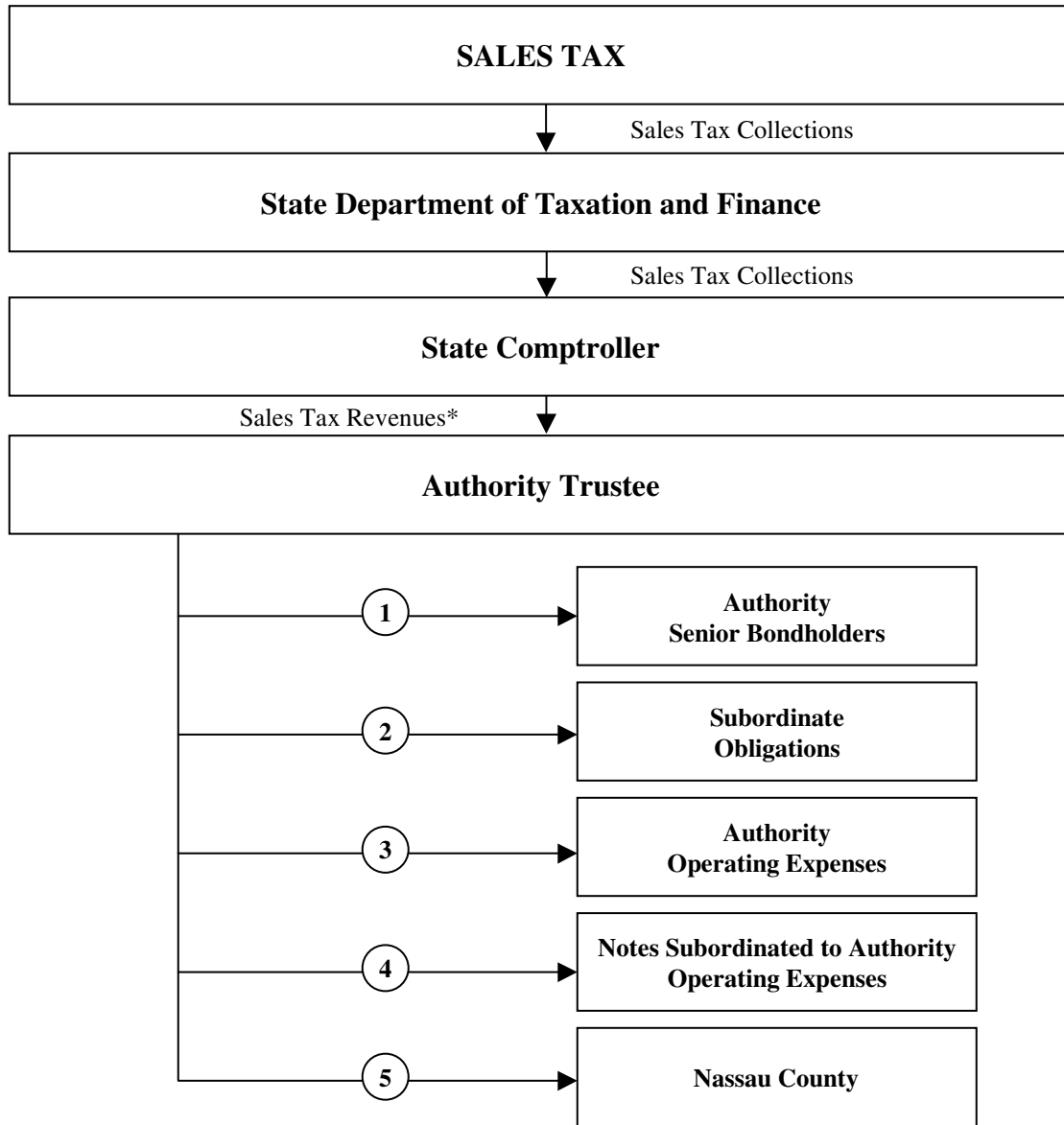
SOURCE: Office of the County Comptroller and, beginning in July 2000, the Authority.

Application of Revenues

Upon receipt of Sales Tax Revenues required to be paid to the Authority in accordance with the Authority's instructions to the State Comptroller, the Trustee must deposit such amounts into the Collection Account held by the Trustee. The Act establishes a priority for the use by the Authority of Sales Tax Revenues as follows: *first* to the payment of amounts pursuant to the Authority's contracts with Bondholders, *second* to the payment of Authority operating expenses not otherwise provided for, and *third*, pursuant to the Agreement, to the payment to the County of amounts not needed for the preceding purposes as frequently as practicable. The Indenture implements the Act's requirements by providing for payment, in accordance with the retention procedures described below, of Debt Service, expenses and obligations of the Authority and payments under Senior Agreements, if any, and the County in accordance with the Indenture.

The chart on the following page illustrates the collection of Sales Tax Revenues (as described under "Servicing-Sales Tax Collection" above) and the flow of funds under the Indenture, as described below.

SUMMARY OF COLLECTION AND APPLICATION OF SALES TAX REVENUES



*As defined.

- (1) Revenues will be retained by the Trustee for the payment of Debt Service on Outstanding Bonds and for the payment of Senior Agreement providers, if any, in accordance with the retention procedures detailed below, and for the payment of the amount, if any, necessary to replenish the Debt Service Liquidity Account to the extent of any withdrawal therefrom.
- (2) Revenues are next applied pursuant to Supplemental Indentures for the benefit of Subordinate Bondholders, Subordinate Noteholders, not including holders of the Notes, and parties to Subordinate Agreements, to the extent such Supplemental Indentures may require application of Revenues to pay items after payment of Debt Service.
- (3) After Revenues are retained by the Trustee for the payment of Debt Service, payments to Subordinate Bondholders and Subordinate Noteholders, not including holders of the Notes, and Senior Agreement providers, if any, such Revenues are paid to the Authority for its operating expenses.
- (4) In accordance with the Supplemental Indentures relating to the Series 2000 Notes, the Series 2001A Notes and the Notes, the payment of interest on and principal of the Series 2000 Notes, the Series 2001A Notes and the Notes shall be payable after Authority Operating Expenses.
- (5) After the payments described in (1), (2), (3) and (4) above are made, remaining Revenues are paid to the County, as frequently as practicable.

Retention Procedures

At the beginning of each calendar month, the Trustee shall begin to transfer all Revenues from the Collection Account to the Bond Account until the amount in the Bond Account is equal to Accrued Debt Service to the last day of such month. Such transfer shall be appropriately adjusted to reflect as of the date of issue of notes or Bonds, any accrued or capitalized interest deposited in the Bond Account or any other amounts irrevocably pledged to the payment of such Debt Service for such period, actual rates of interest, any amount needed or held in the Accounts for Debt Service, and any purchase or redemption of notes or Bonds, so that there will be available on each payment date the amount necessary to pay Debt Service and so that accrued or capitalized interest will be applied to the installments of interest to which it is applicable.

After all payments are made to the Bond Account and Redemption Account, moneys on deposit in the Collection Account will be used in the following order of priority: for the benefit of Subordinate Bondholders, Subordinate Noteholders or contract parties, to the extent required by Supplemental Indentures, for the payment of the Authority's operating expenses and, as soon as practicable, to the County, free and clear of the lien of the Indenture. Notwithstanding the foregoing, in accordance with the Supplemental Indentures relating to the Series 2000 Notes, the Series 2001A Notes and the Notes, interest on and principal of the Series 2000 Notes, the Series 2001A Notes and the Notes shall be payable after Authority Operating Expenses. The County has covenanted to provide the Authority with a schedule of forecasted collections of Sales Tax Revenues before the beginning of each fiscal year and each month during such fiscal year. In the event projected collections from Sales Tax Revenues are anticipated to be insufficient during any month to completely provide for the amount required to be retained in such month, the Trustee is required to withhold additional Sales Tax Revenues in subsequent months. With respect to the Series 2001B-2 Notes, to the extent that amounts paid by the County to the Authority as payments of principal of or interest accruing on the County TANs (as defined herein) are sufficient to pay all amounts due on the Series 2001B-2 Notes, no Sales Tax Revenues shall be set aside for the amounts due with respect to the Series 2001B-2 Notes. "APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT — Application of Revenues."

Agreements of the State and the County

In the Act, the State pledges and agrees with the Noteholders that the State will not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders of the Notes or the security for the Notes until such Notes, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Notes, are fully paid and discharged. The State is not obligated to make any additional payments or impose any taxes to satisfy the Debt Service obligations of the Authority. The State Constitution allows the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the Local Sales Tax. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or the County.

In accordance with the Act, the County will pledge and agree with the holders of the Notes that the County will not limit, alter or impair the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Notes until the Notes are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the County may have to amend, modify or otherwise alter local laws imposing or relating to the Local Sales Tax so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 200% of maximum annual debt service

on all Authority bonds, notes and other evidences of indebtedness then outstanding. For a description of the covenants of the County set forth in the Agreement, see “APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT.”

THE NOTES ARE NOT A DEBT OF EITHER THE STATE OR THE COUNTY, AND NEITHER THE STATE NOR THE COUNTY IS LIABLE THEREON.

The covenants of the County and the State described above shall be of no force and effect with respect to any Note if there is on deposit in trust with a bank or trust company sufficient cash or Defeasance Collateral to pay when due all principal of, applicable redemption premium, if any, and interest on such Note.

Certain Other Payments

In consideration of the Authority’s issuance of the Series 2001B-2 Notes, the County expects to deliver to the Authority general obligation tax anticipation notes of the County issued in anticipation of the receipt of sales taxes (the “County TANs”) in such principal amounts and bearing interest at such rates as to provide sufficient amounts to pay, when due, all amounts payable on the Series 2001B-2 Notes. The County TANs will mature approximately 14 days prior to each of the maturities of the Series 2001B-2 Notes issued hereunder and in the same amount. In the event that insufficient moneys are available from such County payments to the Authority as holder of the County TANs to pay amounts due on any maturity of the Series 2001B-2 Notes, the Authority shall direct the Trustee to (and the Trustee shall) set aside all Revenues (subject to the obligation to provide for the payment of Debt Service, Subordinate Bonds and Subordinate Notes, if any, and to the prior set aside of sufficient amounts to pay Authority Operating Expenses) until sufficient amounts, not including investment earnings thereon, are available to pay all amounts due or to become due on the Series 2001B-2 Notes and any renewal notes then outstanding. There can be no guarantee that there will be sufficient Revenues to pay the Series 2001B-2 Notes in the event the County fails to pay the County TANs when they are due; in such event, the Authority would expect to issue renewal notes or the Series Two Bonds to provide for payment of the amounts due to the holders of the Series 2001B-2 Notes. The Authority has covenanted that to the extent it receives amounts from the County as payments of the principal of or interest accruing on the County TANs, it will apply such payments to the payment of principal of and interest due on the Series 2001B-2 Notes unless payment of the principal and interest on the Series 2001B-2 Notes has been provided for in some other manner. *The County TANs are not pledged to the holders of the Notes and the holders of the Series 2001B-2 Notes will have no recourse against the County for payment of the County TANs.*

SECTION III: THE NOTES

General

The Notes will be dated the date of delivery and will bear interest at the rates and will mature on the dates set forth on the cover page of this Offering Circular. All of the Notes will be issued in book-entry only form.

The Notes will be issued in denominations of \$5,000 or whole multiples thereof, and will bear interest calculated on the basis of a 360-day year of 30-day months.

The Notes are subject to defeasance in accordance with the Indenture. See “APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT — THE INDENTURE — Defeasance.”

Redemption

The Notes are not subject to redemption prior to maturity.

Estimated Sources and Uses of Funds

Set forth below are the estimated sources and uses of the proceeds of the Series 2001B-1 Notes and the Series 2001B-2 Notes:

ESTIMATED SOURCES OF FUNDS

Par amount of the Notes	\$ 285,045,000.00
Net Original Issue Premium	1,715,110.40
Total Sources of Funds	<u>\$ 286,760,110.40</u>

ESTIMATED USES OF FUNDS

Purchase of County TANs	\$ 160,000,000.00
Tax certiorari judgments and settlements	100,000,000.00
Other legal judgments and settlements	16,600,000.00
Real property reassessment costs.....	9,500,000.00
County Costs of Issuance.....	200,000.00
Underwriters' Discount and Costs of Issuance	460,110.40
Total Uses of Funds	<u>\$ 286,760,110.40</u>

Additional Notes

The Act does not limit the amount of notes that the Authority may issue for the purposes of financing Financeable Costs, including the County's cash flow needs. The Authority may from time to time issue Subordinate Notes or notes secured by the Revenues subordinate to the Authority's Operating Expenses and on a parity with the Notes, including additional notes to finance annual cash flow needs of the County.

Book-Entry Only System

Beneficial ownership interests in the Notes will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Notes will not receive certificates representing their interests in the Notes purchased.

DTC, as an automated clearinghouse for securities transactions, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered note certificate will be issued for each principal amount of Notes bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Notes and will be deposited with DTC. If, however, the aggregate principal amount of any such quantity of Notes exceeds \$400 million, one note certificate will be issued with respect to each \$400 million of principal amount of such quantity of Notes and an additional note certificate will be issued with respect to any remaining principal amount of such quantity of Notes.

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. 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 the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 interest in the Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive note certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the Notes with DTC and their registration in the name of Cede & Co. effect no change in the beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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.

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

Principal and interest payments on the Notes will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on a 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 a 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 and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Notes registered in its name for the purpose of payment of the principal of or interest on the Notes, giving any notice permitted or required to be given to registered owners under the Trust Agreement registering the transfer of the Notes, 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 Notes 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 or interest on the Notes; 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 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.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE NOTES, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR NOTEHOLDERS OF THE NOTES (OTHER THAN UNDER “SECTION VI: TAX MATTERS” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Notes, 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 Notes 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 Notes as appropriate, or may direct the Trustee to deliver note certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such note certificates, such Notes may thereafter be exchanged for denominations and of the same maturity as set forth in the Indenture, 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 furnished by DTC. Neither the Authority nor the original purchasers 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.

Other Information

For additional information regarding the Notes and the Indenture including the events of default under the Indenture and the remedies of the Noteholders thereunder, which include acceleration of the Notes under certain circumstances, see “APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT.”

SECTION IV: THE AUTHORITY

Purpose and Operations

The Authority is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation created in June, 2000 by the Act and empowered to issue its Bonds and notes for various County purposes, including the restructuring of a portion of the County's outstanding debt. The Authority shall continue in existence until its oversight, control or other responsibilities and its liabilities, which include the payment of Authority Bonds and notes, including the Notes, have been met or discharged. In addition, the Authority has certain powers under the Act to monitor and oversee the County's finances, including Covered Organizations, and upon the declaration of a "control period," additional oversight authority, all as more fully described below under "Authority Monitoring and Control Functions."

The Authority is not authorized by State law to file a petition in bankruptcy. In addition, under the Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority bonds or notes remain Outstanding.

Directors and Management

The Authority is governed by a board of seven directors, each appointed by the Governor, one each upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. Four directors constitute a quorum for meetings of the directors of the Authority. The Governor also designates the chairperson and vice-chairperson from among the directors. As of the date of this Offering Circular, the following individuals have been appointed directors:

Directors

Frank G. Zarb, Director and Chairperson. Mr. Zarb is the Chairman of the NASD and the Nasdaq Stock Market Inc.

Richard M. Kessel, Director. Mr. Kessel is the Chairman, President and Chief Executive Officer of the Long Island Power Authority.

Martin D. Payson, Director. (Nominated by the State Comptroller.) Mr. Payson is a former Vice Chairman of Time Warner Inc., and is currently a Director of Panavision Inc.; Delta Financial Corp.; Classic Communications, Inc; and Carl Marks & Co., Inc.

David H. Peirez, Director. (Nominated by the Speaker of the Assembly.) Mr. Peirez is a senior partner in the law firm of Reisman, Peirez & Reisman, L.L.P.

Robert G. Smith, Ph.D., Director. Dr. Smith is the Chief Executive Officer and Founder of Smith Affiliated Capital Corp.

Ronald A. Stack, Director. Mr. Stack is a Managing Director and Head of the Public Finance Department of Lehman Brothers.

Robert Wallach, Director. (Nominated by the Senate Majority Leader.) Mr. Wallach is Chairman and Chief Executive Officer of The Robert Plan Corporation.

Officers

The following is a brief description of certain officers and staff members of the Authority:

Richard Luke, Executive Director and Treasurer

Mr. Luke serves as Executive Director and Treasurer. Mr. Luke is a CPA with 30 years' financial management experience dealing with local governments, including 15 years working for the Office of the State Comptroller.

Carol S. Kostik, Chief Financial Officer

Ms. Kostik serves as Chief Financial Officer. Ms. Kostik was formerly employed by Merrill Lynch & Co. as a public finance investment banker, and by The City of New York. She holds an MBA from Stanford University's Graduate School of Business.

Jeremy Wise, General Counsel

Mr. Wise serves as General Counsel. Mr. Wise has been admitted to the practice of law in New York State since 1978. He has worked in the area of public finance in both the public and private sectors for a total of approximately 15 years.

Financing Agreement

In accordance with the provisions of the Act described above, the Authority and the County have entered into the Financing Agreement, dated as of October 1, 2000, providing for, among other things, the issuance of Bonds by the Authority to finance various County purposes authorized under the Act. See "APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT."

Authority Monitoring and Control Functions

In the absence of a control period, the Authority is empowered, among other things, to review financial plans submitted to it; to make recommendations or, if necessary, adverse findings thereon; to monitor compliance; to make transitional State aid available as it determines; to comment on proposed borrowings by the County and Covered Organizations; and to impose a control period upon making one of the statutory findings.

A control period will occur upon the Authority's determination that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (1) the County shall have failed to pay the principal of or interest on any of its bonds or notes when due or payable; (2) the County shall have incurred a major operating funds deficit of 1% or more in the aggregate in the results of operations during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles; (3) the County shall have otherwise violated any provision of the Act and such violation substantially impairs the marketability of the County's bonds or notes; (4) the County Treasurer's certification at any time, at the request of the Authority or on the County Treasurer's initiative, that on the basis of facts existing at such time, the County Treasurer cannot make the certification that securities sold by or for the benefit of the County in the general public market during the fiscal year immediately preceding such date and the then current fiscal year are satisfying the financing requirements of the County during such period and that there is a substantial likelihood of a similar result from such date through the end of the next succeeding fiscal year; or (5) if, in regard to the County's financial plan covering the County and the Covered Organizations, the County fails to make the required

modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by the Authority.

During a control period the Authority shall withhold transitional State aid and is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and Covered Organizations; approve, disapprove or modify the County's financial plan; issue binding orders to the appropriate local officials; impose a wage freeze; and terminate the control period upon finding that no condition exists which would permit imposition of a control period.

At its meeting on December 7, 2001 the Authority approved year one of the County's four-year Financial Plan, as defined in the Act, also known as the County's 2002 Budget, but required, among other actions, that the County submit an acceptable four-year Financial Plan no later than April 1, 2002.

SECTION V: NO LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Notes or questioning or affecting the validity of the Notes or the Series Two Bonds or the proceedings and authority under which they are issued or will be issued, respectively; (ii) contesting the creation, organization or existence of the Authority, or the title of the directors or officers of the Authority to their respective offices; (iii) questioning the right of the Authority to perform its obligations under the Indenture or the Agreement and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture; or (iv) questioning or affecting the levy or collection of the Local Sales Tax in any material respect, or the application of the Local Sales Tax for the purposes contemplated by the Act, or the procedure thereunder.

SECTION VI: TAX MATTERS

General

In the opinion of Hawkins, Delafield & Wood, Bond Counsel to the Authority, under existing statutes and court decisions, and assuming compliance with the tax covenants referred to herein, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, interest on the Notes is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax that may be imposed with respect to such corporations by the Code. In rendering the foregoing opinions, Bond Counsel has relied upon and assumed compliance by the Authority and County with the provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Authority, together with the accompanying certification of the County (the "Arbitrage and Use of Proceeds Certificate").

Bond Counsel is also of the opinion that, by virtue of the Act, interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, among others, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain investment earnings be rebated to the federal government. The Arbitrage and Use of Proceeds

Certificate will contain provisions and procedures relating to compliance with the requirements of the Code. The Authority and the County, in executing the Arbitrage and Use of Proceeds Certificate, will represent that they expect to be able to and will comply with the applicable provisions and procedures set forth therein. Noncompliance with such provisions and procedures could cause interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes, regardless of when such noncompliance occurs.

As noted above, interest on the Notes may be taken into account in determining the tax liability of corporations subject to the federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Notes may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and United States branches of foreign corporations), financial institutions, property and casualty insurance companies, and individual recipients of Social Security or railroad retirement benefits, taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes and taxpayers who may otherwise be eligible for the earned income credit.

Owners of the Notes subject to any such taxes or who might fall into any such category should consult their own tax advisors as to the computation of any such tax and the applicability of these consequences.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes or the tax consequences of the ownership of the Notes. Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Notes will not have an adverse effect on the status of the Notes. Legislative or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note, determined based on constant yield principles. An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on sale, exchange, or other disposition of Premium Notes.

SECTION VII: RATINGS

The Notes have been rated “F-1+” by Fitch, “SP-1+” by Standard & Poor’s and “MIG 1” by Moody’s. Ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings must be obtained from the Rating Agency furnishing such rating. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or any of them, may have an effect on the market price of the Notes.

SECTION VIII: UNDERWRITING

The Notes are being purchased for reoffering by the Underwriters for whom Goldman, Sachs & Co. and UBS PaineWebber Inc. are acting as Lead Managers. The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Notes from the Authority at an aggregate underwriters’ discount of \$257,769.20 and to make an initial public offering of the Notes at prices that are not in excess of the initial public offering prices, or at yields below the yields, set forth on the cover page of this Offering Circular. The Underwriters will be obligated to purchase all such Notes if any such Notes are purchased.

The Notes 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.

SECTION IX: APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Notes are subject to the approval of Hawkins, Delafield & Wood, Bond Counsel to the Authority. Certain legal matters are subject to the approval of the Authority’s General Counsel and of Clifford Chance Rogers & Wells LLP, counsel to the Underwriters.

SECTION X: FINANCIAL STATEMENTS

The Authority was created in June, 2000. The financial statements of the Authority as of and for the year ended December 31, 2000, included in this Offering Circular have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein as Appendix C.

SECTION XI: CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority and the Trustee will enter into a written undertaking (the “Continuing Disclosure Agreement”) for the benefit of the holders of the Notes to provide continuing disclosure. The Authority will undertake for the benefit of the holders of the Notes to provide each Nationally Recognized Municipal Securities Information Repository (a “Repository”), and if and when one is established, the New York State information depository (the “State Depository”), on an annual basis on or before 185 days after the end of each fiscal year, commencing with the fiscal year ending December 31, 2001, financial information and operating data concerning the Authority of the type included in this Offering Circular referred to herein as “Authority Annual Information” and described in more detail below. The Authority will undertake to provide no later than 185 days after the end of each of its fiscal years, commencing with the fiscal year ending December 31, 2001, the Authority’s annual financial statements for such year, prepared in accordance with GAAP and audited by an independent

firm of certified public accountants in accordance with generally accepted auditing standards, to each Repository and to any State Depository, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be provided to each Repository and to the State Depository if and when available. In addition, the Authority will undertake, for the benefit of the holders of the Notes, to provide to each such Repository or to the Municipal Securities Rulemaking Board (“MSRB”), and any State Depository, in a timely manner, the notices described below.

The Authority Annual Information shall consist of financial information and operating data of the type included in this Offering Circular under the headings: “Sources of Payment and Security For The Notes”, including information under subheadings “Sales Tax Revenues” and “Servicing Sales Tax Collection” relating to the material taxes constituting a source of revenue for the Notes, a historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed fiscal years then available. The Authority Annual Information may contain such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the Authority.

The notices described above include notices of any of the following events with respect to the Notes, 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 Note; (7) modifications to the rights of Noteholders; (8) note calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes; and (11) rating changes.

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 Authority, and no person, including the holder of the Notes, may recover monetary damages thereunder under any circumstances. Any Noteholder, including any beneficial owner, may enforce the Continuing Disclosure Agreement. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Indenture. 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 provision 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. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Continuing Disclosure Agreement, however, may be amended or modified under certain circumstances set forth therein.

SECTION XII: LEGAL INVESTMENT

Pursuant to the Act the Notes of the Authority are securities in which all public officers and bodies of the State and all public corporations, municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and

loan associations, investment companies and other persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. Pursuant to the Act the Notes may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

SECTION XIII: TRUSTEE

The Bank of New York is acting as successor Trustee to United States Trust Company of New York ("US Trust") in connection with the Notes. On June 26, 2001, U.S. Trust Corporation, of which US Trust is a part, sold its Corporate Trust and Agency Division to The Bank of New York. All of US Trust's corporate trust business and assets are currently in the process of being transferred to The Bank of New York. In the interim, US Trust will act as agent of The Bank of New York in monitoring, maintaining and administering the corporate trust accounts which are being transferred to The Bank of New York. Currently, the timing for the completion of the sale has been scheduled for the first quarter of 2002.

SECTION XIV: MISCELLANEOUS

The references herein to the Act, the Indenture and the Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Indenture and the Agreement for full and complete statements of such provisions. Copies of the Act, the Indenture and the Agreement are available at the offices of the Trustee.

The agreements of the Authority with holders of the Notes are fully set forth in the Indenture. Neither any advertisement of the Notes nor this Offering Circular is to be construed as a contract with purchasers of the Notes.

Any statements in this Offering Circular involving matters of opinion, projections or estimates, whether or not expressly stated, are intended merely as expressions of opinion, projections or estimates and not as representation of fact.

The delivery of this Offering Circular has been duly authorized by the Authority.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

By: /s/ Carol S. Kostik
CAROL S. KOSTIK, CHIEF FINANCIAL OFFICER

APPENDIX A

ECONOMIC AND DEMOGRAPHIC STATISTICS

This section has been provided by the County and presents information regarding certain of the major economic and demographic factors in the County which may affect Sales Tax Revenues of the Authority. All information is presented on a calendar year basis unless otherwise indicated. The data set forth are the latest available. Sources of information are indicated in the text or immediately following the tables. Although the Authority considers the sources to be reliable, the Authority has made no independent verification of the information presented herein and does not warrant its accuracy.

General Information

The County, established in 1899, comprises an area of 300 square miles. It is a suburban county located on Long Island, bounded by Queens County (in The City of New York) on the west, Suffolk County on the east, the Long Island Sound on the north and the Atlantic Ocean on the south. The County population was 1,321,582 in 1980 and 1990 Census data indicated a decrease of 34,234 for a population of 1,287,348. In the 2000 Census, the Nassau County population was 1,334,544. The County recorded its official peak population in 1970 with 1,428,838.

In 2000, the average resident labor force was 685,700 persons, compared with 692,000 in 1999, 689,200 in 1998 and 687,300 in 1997. The 2000 unemployment rate was 2.7%. In 1999, the unemployment rate was 3.7%, in 1998, the unemployment rate was 2.9%, and in 1997 it was 3.5%.

Nassau County comprises part of the Nassau-Suffolk PMSA (Primary Metropolitan Statistical Area), designated as such in 1983. The Nassau-Suffolk PMSA continues to have prominent ranking among national markets in terms of population, income and retail sales in published data ranking national markets. In the 2000 Census, the Nassau-Suffolk PMSA population was 2,753,913.

Commerce and Industry

On July 3, 1997 Maryland based Lockheed Martin Corporation announced its agreement to purchase one of the County's larger manufacturers and non-governmental employers, Northrop Grumman Corporation ("Northrop Grumman"). On July 16, 1998 the board of directors of Lockheed Martin Corporation voted to abandon the proposed takeover. Northrop Grumman is the result of the acquisition, in April 1994, of the Nassau County based Grumman Corporation, with, at that time, roughly 8,000 employees in the County, by the Northrop Corporation. Since then, Northrop Grumman has consolidated the company headquarters in Los Angeles, California, while the Data Services Division and the Electronics and Systems Integration Division are headquartered in the County. In September 1994, Northrop Grumman announced a planned work force reduction of 8,650 people over the succeeding 15 months, partly through layoffs and partly through normal attrition and an early retirement program. In 1998, Northrop Grumman had 3,700 employees on Long Island.

In February 1996, there were 480 office buildings in the County, accounting for 33,944,230 square feet of space. At that time, there were no buildings under construction. However, there is one new building in Eastern Nassau County with 103,000 square feet and one building in Western Nassau County with 2200 square feet.

Mitchel Field, located in the center of the County and leased to corporate entities pursuant to ground leases with the County, has emerged as an important center of economic activity. After years of dormancy, a newly constructed infrastructure of highways and utilities has opened the area for

development. Seventeen new buildings, mostly offices, totaling approximately 4.2 million square feet have been constructed. These include a 327,000 square foot distribution center for United Parcel Service on 25 acres; ten office buildings in excess of 200,000 square feet each; the European American Bank Plaza, with over 1.1 million square feet; and a major 148,000 square foot U.S. postal facility (the postal facility is not leased from the County). Currently, there are no buildings under construction; however, proposals are under active consideration for two office buildings comprising 564,000 square feet.

Mitchel Field is also the home of the Nassau Veterans Memorial Coliseum, the 604-room Marriott Hotel and Mitchel Park, a modern, 70-acre multi-purpose athletic facility that was the home of the International Games for the Disabled in the summer of 1984 and was a key facility for the 1998 Goodwill Games.

When the currently contemplated development is completed at Mitchel Field, it is expected to provide approximately 25,000 permanent jobs with an annual payroll of approximately \$750 million. Rents to the County will be \$3.5 million per year and property taxes generated will be approximately \$14.7 million annually. Using the traditional multipliers, the complex will diffuse over \$1 billion annually into the local economy.

Other important areas of development include major additions to the Roosevelt Field Shopping Center, (2,365,000 square feet), the construction of a retail complex at the Roosevelt Center, the development of the Price Club Plaza shopping center (401,600 square feet) and The Source (750,000 square feet).

The County has other areas of newly constructed office space in Jericho, Garden City, Great Neck, East Meadow, North Hills, Lake Success, Plainview, and Valley Stream. According to Cushman and Wakefield Incorporated, vacancy rates for prime office space in the County as of the year ended December 31, 2000 averaged 5.4%. The average rental rate for the same quarter was \$26.97 per square foot.

During September 1986, the New York State Department of Environmental Conservation imposed water pumping restrictions throughout the County and these restrictions have affected some development plans in the County.

In April 1998 there were 775 full service thrift and commercial banking branches in Nassau and Suffolk Counties.

Population

The following table shows the County's population from 1960 to 2000.

NASSAU COUNTY POPULATION 1960-2000 (000's omitted)

<u>Year</u>	<u>Population</u>
1960.....	1,300.1
1970.....	1,428.8
1980.....	1,321.6
1990.....	1,287.3
1991.....	1,287.0
1992.....	1,285.7
1993.....	1,284.5
1994.....	1,284.0
1995.....	1,283.5
1996.....	1,285.8
1997.....	1,287.9
1998.....	1,290.6
1999.....	1,293.5
2000.....	1,334.5

SOURCES: U.S. Census Bureau 1960-2000.
ILCO 1991-1997.
IPA 1998-2000.

The County grew rapidly after World War II and reached its peak population of approximately 1,428,800 in 1970, declining to approximately 1,321,600 in 1980, 1,287,300 in 1990 and increasing to approximately 1,334,544 in 2000. This is attributed to an aging population and decreasing household size. The last decade has shown an increased number of births reversing a trend in the 1970's of declining births. School enrollments in lower grades are expected to increase somewhat but not to the levels of the 1950's and 1960's.

The County's population density in 1980, 1990 and 2000 was 4,399, 4,291 and 4,650 persons per square mile, respectively.

Governmental units within the County include 3 towns, 2 cities, and 64 incorporated villages. There are also 285 school districts and special districts. The special districts are for fire protection, water supply, etc. In the 2000 Census, the populations of the three towns were: Hempstead—755,924, North Hempstead—222,611, and Oyster Bay—293,925. The two cities were: Long Beach—35,462 and Glen Cove—26,662.

Senior citizens (those 60 years of age and older) are the fastest growing segment of the population, rising from 168,076 in 1970 to 259,520 in 1990. This represents an increase from 11.8% of the population in 1970 to 20.2% in 1990.

Income

Based on a 2001 Sales and Marketing Management study, the Nassau-Suffolk Metro Market had a median household Effective Buying Income (“EBI”) of \$60,941, which was fourth highest in the United States.

TOP FIVE MEDIAN HOUSEHOLD EBI, 2001

1	Bridgeport – Stamford - Norwalk – Danbury	\$75,312
2	San Jose	72,124
3	Middlesex – Somerset – Hunterdon	64,333
4	<u>Nassau-Suffolk</u>	<u>60,941</u>
5	San Francisco.....	58,670
	U.S. Median	\$39,129

SOURCE: Sales and Marketing Management’s “2001 Survey of Buying Power and Media Markets.”

In 1998 the Nassau-Suffolk PMSA had the nation's highest percentage of households with incomes above \$50,000, as shown in the following tables:

**PERCENTAGE OF HOUSEHOLDS WITH
EBI ABOVE \$50,000, 1998**

<u>Rank</u>		<u>Percentage of Households</u>
1.	<u>Nassau-Suffolk</u>	53.5%
2.	Washington, DC	50.0
3.	Boston – Lawrence - Lowell – Brockton	45.1
4.	Chicago	43.3
5.	Oakland	42.9
6.	Philadelphia	41.6
7.	Orange County, CA	40.3
8.	Minneapolis – St. Paul	40.0
9.	Dallas	39.6
10.	Houston	38.3
11.	Baltimore	36.6
12.	Detroit	36.4
13.	Atlanta	36.0
14.	St. Louis	36.7
15.	New York	34.9
16.	San Diego	31.7
17.	Pittsburgh	31.7
18.	Los Angeles - Long Beach	31.2
19.	Phoenix – Mesa	26.5
20.	Riverside – San Bernardino	25.7
	% Of All US Households	31.3

SOURCE: Sales and Marketing Management's "1998 Survey of Buying Power."

Note: The 1996, 1997 and 1998 EBI figures are not directly comparable to previous years' figures, because the definition has changed. Sales & Marketing Management Magazine still equates EBI to disposable income. However, in 1996, 1997 and 1998, EBI is broadly defined as money income less personal tax and non-tax payments per the Census Bureau. In previous years, EBI was defined as personal income less personal tax and non-tax payments per the Bureau of Economic Analysis. The main difference between the two definitions is that passive income (such as capital gains and rental income) is excluded from money income in the 1996, 1997 and 1998 definition.

**NUMBER OF HOUSEHOLDS WITH EBI
OF \$150,000 OR MORE, 2001
(000's omitted)**

<u>Rank</u>		<u>Number of Households</u>
1	New York	129.3
2	Chicago	105.5
3	Los Angeles – Long Beach.....	91.8
4	Washington.....	65.9
5	Philadelphia	62.2
6	Boston – Lawrence - Lowell – Brockton.....	53.0
7	Houston.....	52.2
8	Dallas	46.3
9	Bridgeport – Stamford – Norwalk – Danbury	41.4
10	San Francisco.....	41.4
11	Seattle – Bellevue – Everett.....	40.3
12	<u>Nassau – Suffolk</u>	<u>38.1</u>
13	San Jose	36.6
14	Newark, N.J.	35.5
15	Atlanta	34.4
16	Orange County, CA	34.4
17	Detroit.....	34.2
18	Oakland.....	28.7
19	Minneapolis – St. Paul.....	24.9
20	Bergen – Passaic.....	23.1
	US Total.....	2,071.3

SOURCE: Sales and Marketing Management's "2001 Survey of Buying Power and Media Markets."

Locally, the County compares favorably in per capita personal income. The table below shows the County's per capita personal income in relation to New York State and the United States for 1986 to 1999.

PER CAPITA PERSONAL INCOME 1986 TO 1999

<u>Year</u>	<u>Nassau</u>	<u>N.Y.S.</u>	<u>U.S.A.</u>
1986	\$23,133	\$16,980	\$14,639
1987	24,597	18,017	15,484
1988	26,669	19,261	16,490
1989	28,678	20,817	17,592
1990	31,237	22,322	18,667
1991	31,195	22,866	16,766
1992	32,270	24,095	17,636
1993	32,966	24,824	18,153
1994	34,269	25,720	21,696
1995	36,609	27,572	23,196
1996	38,612	29,266	24,651
1997	42,429	30,510	25,874
1998	42,402	32,261	27,321
1999	43,997	33,901	28,546

SOURCE: U.S. Department of Commerce.

Annual increases in the Consumer Price Index for the New York-Northeastern New Jersey Standard Consolidated Area since 1984 are shown below:

CONSUMER PRICE INDEX, 1984-2000

<u>Year</u>	<u>Percent</u>	<u>Year</u>	<u>Percent</u>
1984	5.0%	1992	3.6%
1985	3.7	1993	3.0
1986	3.3	1994	2.4
1987	5.1	1995	2.5
1988	4.8	1996	2.9
1989	5.6	1997	2.0
1990	6.0	1998	1.6
1991	4.5	1999	2.2
		2000	3.4

SOURCE: U.S. Department of Labor.

Employment

The New York State Department of Labor reported that the County had an average unemployment rate tier for 1999 of 3.0%, compared with an average unemployment rate of 2.9% for 1998.

The civilian labor force in the County increased by 2,000 persons for the period between 1997 and 1998, representing an increase of 0.2% from the prior years period. During this same period employment increased by 6,100 and the unemployment rate was 2.9%, representing a decrease of 0.6% from the prior year's rate.

Shown below is annual average employment in non-agricultural jobs by place of work for 1994–2000 in the Nassau-Suffolk PMSA.

**ANNUAL AVERAGE
NASSAU-SUFFOLK EMPLOYMENT
NON-AGRICULTURAL, BY PLACE OF WORK
1994-2000
(000's omitted)**

Long Island Employment, by Industry	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Goods Producing							
Construction & Mining.....	62.4	58.9	53.1	48.8	44.8	43.8	42.4
Manufacturing							
Durables.....	63.6	64.7	65.9	66.0	65.3	68.0	71.6
Non-Durables.....	<u>48.3</u>	<u>48.2</u>	<u>47.2</u>	<u>46.7</u>	<u>45.3</u>	<u>46.0</u>	<u>46.1</u>
Total Goods Producing	<u>174.3</u>	<u>171.8</u>	<u>166.2</u>	<u>161.6</u>	<u>155.4</u>	<u>157.8</u>	<u>160.1</u>
Non-Goods Producing							
Transportation, Utilities.....	56.5	55.5	53.3	51.9	48.8	49.5	48.8
Trade							
Wholesale	87.8	86.5	83.6	79.7	78.7	77.8	76.3
Retail.....	222.7	217.0	209.8	208.7	206.6	206.4	200.9
Finance, Insurance, Real Estate.....	84.5	84.1	79.8	78.9	78.7	79.6	81.4
Services	400.9	389.6	373.6	361.1	351.6	342.3	329.1
Government	<u>189.8</u>	<u>185.7</u>	<u>182.1</u>	<u>177.5</u>	<u>178.4</u>	<u>179.2</u>	<u>178.0</u>
Total Non-Goods Producing.....	<u>1,042.2</u>	<u>1,018.6</u>	<u>982.2</u>	<u>957.8</u>	<u>942.9</u>	<u>934.9</u>	<u>914.4</u>
Total Non-Farm Employment	<u>1,216.5</u>	<u>1,190.4</u>	<u>1,148.4</u>	<u>1,119.3</u>	<u>1,098.2</u>	<u>1,092.7</u>	<u>1,074.5</u>

SOURCE: New York State Department of Labor.
Benchmark 2000. Totals may not add due to rounding.

The composition of employment by major category in the Nassau-Suffolk PMSA as it compares to the United States is shown in the following table:

**PERCENT OF NON-AGRICULTURAL EMPLOYMENT
BY MAJOR CATEGORY 2001**

	Nassau- Suffolk PMSA	United States
Manufacturing	9%	14%
Transportation, Communications & Utilities	5	5
Trade	26	18
Finance, Insurance, & Real Estate	7	6
Services	31	31
Government	16	16
Construction & Mining	5	5

SOURCES: New York Department of Labor
U.S. Department of Labor, Bureau of Labor Statistics.

The following table shows some of the major non-government employers in the Nassau-Suffolk PMSA:

**LARGER, COMMERCIAL AND INDUSTRIAL EMPLOYERS,
NASSAU-SUFFOLK PMSA, 1997**

<u>Firm</u>	<u>Type</u>	<u>No. of Employees</u>
North Shore Health System	Medical Care	12,656
Waldbaum's	Supermarkets	6,500
Long Island Lighting Co.*	Electric/Gas Utility	5,700
Verizon**	Communications	5,500
Northrop Grumman Corp.	Manufacturing	3,700
Macy's	Merchandising	3,600
Hofstra University	Education	2,100
European American Bank	Finance	1,880
Lockheed Martin Corp.	Manufacturing	970

SOURCES: Long Island Business Research Bureau, June 1997.

* As a result of a merger with KeySpan Energy Corporation, Long Island Lighting Company employees are now employees of the merged entity, known as KeySpan. See "Utility Services" below.

** Formerly known as Bell Atlantic and NYNEX.

The following table shows the employment and unemployment rates for Nassau County as compared with adjoining municipalities, the State, and the United States:

**NON-AGRICULTURAL ANNUAL AVERAGE
EMPLOYMENT AND UNEMPLOYMENT 1993-2000
(000's omitted)**

Calendar Year	<u>Nassau County</u>		<u>Suffolk County</u>		<u>New York City</u>		<u>New York State</u>		<u>United States</u>	
	Employment(b)	Un-employment Rate(%)	Employment(b)	Un-employment Rate(%)	Employment(a)	Un-employment Rate(%)	Employment(b)	Un-employment Rate(%)	Employment(b)	Un-employment Rate(%)
1993	634.2	5.7	638.4	7.0	2,936.0	10.2	7,985.0	7.7	119,306	6.8
1994	638.7	5.1	643.0	6.3	2,923.0	8.7	7,978.0	6.9	123,000	6.1
1995	639.4	4.5	648.8	5.4	2,911.7	8.2	7,955.3	6.3	123,060	6.1
1996	649.0	3.8	659.0	4.7	3,004.2	8.8	8,100.0	6.2	126,708	5.4
1997	663.0	2.5	676.1	4.3	3,056.2	9.4	8,242.6	6.4	136,297	4.9
1998	669.1	2.9	685.0	3.5	3,168.9	8.0	8,372.0	5.6	131,463	4.5
1999	671.2	3.0	692.3	3.7	3,213.5	6.7	8,883.0	5.2	133,488	4.2
2000	666.9	2.7	692.7	3.2	3,357.4	5.7	8,533.0	4.6	135,208	4.0

(a) Non-Agricultural.

SOURCE: New York State Department of Labor; U.S. Department of Labor, Bureau of Labor Statistics.

Firms with fewer than 10 employees are most prevalent in the County. The following table shows the breakdown by employment size of firms in the County:

**FIRMS BY NUMBER OF EMPLOYEES
NASSAU COUNTY
1999**

<u>Number of Employees</u>	<u>Number of Firms</u>
1-9	37,327
10-99	8,578
100-499	711
500-999	41
1,000+	29
Total number of firms	<u>46,686</u>

SOURCE: U.S. Census Bureau, County Business Patterns 1999.

Construction Activity

Construction activity in the County for 1997 showed an increase of \$31.80 million in value and an increase of 40.6% in the number of new dwelling units over 1996. The number of new dwelling units increased by 976 units to 1,372.

The following tables show the value of new construction by type and number of dwelling units authorized by type for the years 1984-1997.

CONSTRUCTION PERMIT DATA, NASSAU COUNTY 1984-1997 (000's omitted)

Calendar Year	Value of New Construction	Value of Residential* Construction	Value Non- Residential* Construction	No. of New Dwelling Units
1984	\$447,365	\$144,254	\$163,214	2,021
1985	473,409	179,046	98,013	2,089
1986	506,779	201,277	92,748	2,128
1987	632,340	237,580	146,023	2,098
1988	545,379	135,134	111,699	1,330
1989	510,263	153,429	91,285	1,264
1990	459,063	79,675	78,427	651
1991	328,988	56,505	30,772	458
1992	386,611	73,323	76,441	511
1993	415,714	99,188	50,424	794
1994	428,631	109,032	52,568	753
1995	N/A	104,002	N/A	860
1996	N/A	156,547	N/A	976
1997	N/A	188,344	N/A	1,372

* Residential and non-residential construction does not equal all new construction because the value of alterations and additions is excluded. Data are based on construction permits issued.

SOURCE: U.S. Census Bureau.

**NUMBER OF RESIDENTIAL DWELLING UNITS
AUTHORIZED BY PERMIT, BY SIZE CATEGORY
NASSAU COUNTY
1984-1997**

<u>Calendar Year</u>	<u>Size Category</u>				<u>Total</u>
	<u>1 Family</u>	<u>2 Family</u>	<u>3-4 Family</u>	<u>5 or more Family</u>	
1984.....	1,397	146	0	478	2,021
1985.....	1,891	98	4	96	2,089
1986.....	1,774	114	81	592	2,488
1987.....	1,526	116	0	456	2,098
1988.....	1,129	80	4	117	1,330
1989.....	871	62	0	331	1,264
1990.....	417	52	0	182	651
1991.....	424	30	4	0	458
1992.....	479	32	0	0	511
1993.....	534	68	0	192	794
1994.....	587	54	4	108	753
1995.....	734	60	0	66	860
1996.....	623	52	0	301	976
1997.....	925	42	34	371	1372

SOURCE: U.S. Census Bureau.

Housing

The U.S. Census for Nassau County had 446,292 housing units in 1990 compared with 434,045 in 1980. The 1990 Census indicated the median value of houses in the County was \$209,500 compared with \$131,600 for the State and \$79,100 for the United States.

The County, in comparison with the United States and the State, has a higher percentage of owner occupied units. According to the 1990 Census of Housing, the County's percentage of owner occupied housing units is 80%, the United States' is 60% and the State's is 52%.

The following table shows the median prices of homes sold in the County from 1994 to 1998:

**NASSAU COUNTY
HOUSES SOLD 1994-1998**

<u>Town</u>	<u>Median Home Selling Price</u>				<u>Percent Change</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1998-97</u>	<u>1997-96</u>	<u>1996-95</u>
Hempstead	\$185,000	\$174,000	\$167,000	\$165,000	+6.3	+4.2	+1.2
North Hempstead	325,000	280,000	280,000	265,000	+16.1	0.0	+5.7
Oyster Bay	245,000	215,000	207,000	206,000	+14.0	+3.9	+0.5

SOURCE: Long Island Profiles Research and Publishing Co.

Transportation

MTA Long Island Bus (“MTALIB”), formerly known as Metropolitan Suburban Bus Authority, a subsidiary of the Metropolitan Transportation Authority, is the County’s principal public transit provider. It operates a network of routes, reaching much of the County. The density of MTALIB’s route network conforms to the development pattern of the County. MTALIB operates 318 fixed route buses and 60 paratransit vehicles on several routes across the Queens-Nassau line into rapid transit terminals located in Flushing, Far Rockaway and Jamaica.

The total MTALIB estimated budget for 1999 was \$78.7 million, of which approximately 41% was to be derived from passenger fares and other revenue. The estimated cost to the County and the State of operating MTALIB during 1999 was approximately \$42.4 million. The County’s share of the cost was approximately \$21.8 million, the State’s share was approximately \$20.6 million.

The Long Island Rail Road (“LIRR”) is the most traveled railroad in the United States with an annual ridership of over 75 million people. About 65 percent of the LIRR’s riders board in the County. On weekdays, about 70 percent of the system’s passenger trips occur during morning and evening peak travel periods. Two major LIRR rail corridors, the Babylon and Ronkonkoma branches, traverse the County providing direct service to New York City (Manhattan, Brooklyn, Queens) and Suffolk County. Six additional branches extend from these corridors and provide service to the remainder of the County.

The LIRR system components are highly modernized. The LIRR has a fleet of 762 self-propelled M-1 electric cars, 174 self-propelled M-3 electric cars, 263 diesel-hauled coaches, and, in 1991, a train comprised of ten double deck cars was added. In the County, the railroad is completely electrified, except for the Oyster Bay Branch.

The County highway system consists of over 4,000 miles of paved roads which includes parkways, highways, major arteries, collector streets and local streets which are operated and maintained by different levels of government. The eight major east-west roadways that provide direct through service to New York City and Suffolk County are Northern Boulevard, Long Island Expressway, Northern State Parkway, Jericho Turnpike, Hempstead Turnpike, Southern State Parkway, Sunrise Highway, and Merrick Road.

In order to eliminate delays, congestion, and trouble spots on the highway network, the essential element in the County’s transportation planning process is the Transportation Improvement Program (“TIP”) as implemented by the State Department of Transportation. The TIP is a compilation of transportation improvement projects scheduled to take place during a five year period. The 1993-1998 allocation is approximately \$276 million per year with the majority of projects having the objective of preserving and upgrading existing highways and bridges as well as capacity and safety improvements. This allocation is for planning purposes and is not legally binding upon the County, the State or the federal government. Generally, approximately 25% of the cost of such projects is financed by the County, with the balance being provided by State and federal monies.

Utility Services

Until recently, LILCO, a state regulated and investor-owned utility corporation (“LILCO”), provided all of the gas service and most of the electrical service in the County. The incorporated villages of Freeport and Rockville Centre have their own electrical generation plants. In May 1998, LILCO’s electrical transmission and distribution system and its 18% share of Nine Mile Point 2 nuclear generating facility were transferred to a subsidiary of Long Island Power Authority (“LIPA”), a New York State public benefit corporation; LILCO’s other electrical generating plants and its natural gas service were

transferred to a new company, KeySpan, created by a merger between LILCO and KeySpan Energy Corporation.

On June 1, 1998, the LIPA board of directors voted unanimously to reduce local electric rates by 20.9% in Nassau County and by 19.1% in Suffolk County retroactive to May 29, 1998. In addition, LIPA issued refunds to LILCO customers (\$232 for Nassau customers and \$101 for Suffolk customers) in September 1998.

Going forward, KeySpan will own and operate LILCO's electric power plants and manage the electric transmission and distribution system pursuant to contracts with LIPA. Customer billing and customer service will be handled by KeySpan. KeySpan will also own LILCO's gas lines and will sell gas to former LILCO customers.

LILCO had been Nassau County's largest real property taxpayer. The LIPA Act requires LIPA to make payments in lieu of taxes ("PILOTS") to municipalities and school districts equal to the property taxes that would have been received by each jurisdiction from LILCO if the acquisition by LIPA had not occurred and to make PILOTS for certain New York State and local taxes which would otherwise have been imposed on LILCO.

Phone service is supplied by numerous private companies that supply phone systems, long distance service and cellular telephone service. In 1992, Bell Atlantic (formerly NYNEX and now Verizon) reported 570,062 residential and 308,537 business access lines.

NASSAU-SUFFOLK⁽¹⁾
UTILITY SALES
(Calendar Year)
1993-1999

	Electric Sales						
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Sales-millions of GWh							
Residential	8,104	7,513	7,184	7,203	7,156	7,159	7,118
Commercial and industrial.....	9,111	8,702	8,327	8,242	8,336	8,394	8,257
Street and highway lighting	179	186	186	185	183	182	182
Public authorities ⁽²⁾	241	216	230	256	277	275	267
Other utilities ⁽²⁾	0	0	0	0	0	0	0
System sales.....	17,635	16,617	15,937	15,886	15,952	16,010	15,824
Power pool sales	563	367	419	527	620	372	304
Total Sales	18,198	16,984	16,356	16,413	16,572	16,382	16,128

	Gas Sales						
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Sales-millions deca therms							
Residential	2,828	2,818	2,797	3,153	2,928	3,151	3,297
Residential Heating.....	35,348	32,511	36,393	37,697	35,336	35,693	37,191
Commercial	3,853	3,233	3,739	4,291	4,161	4,261	4,232
Commercial Heating	13,479	12,441	14,544	16,763	16,277	15,784	14,463
Interruptable	9,325	9,675	8,210	7,869	9,176	6,914	5,920
System sales.....	64,833	60,678	65,683	69,773	67,879	65,803	65,103
Other utilities	--	--	--	--	--	--	--
Total Sales	64,833	60,678	65,683	69,773	67,879	65,803	65,103

(1) Includes Rockaway Peninsula (N.Y.C.).

(2) Includes Freeport, Rockville Centre, street lighting and other public authorities, and the L.I.R.R.

SOURCE: LILCO to May, 1998.
LIPA and KeySpan May 10, 1998 and thereafter.

Health and Hospital Facilities

The County, in 2000 had 4,760 certified hospital beds in 14 hospitals. New York State licenses indicate that in 1999 there were 6,746 medical doctors, 2,308 dentists, 850 chiropractors, 382 podiatrists, and 18,650 registered nurses.

The Nassau Health Care Corporation, a public benefit corporation of the State of New York, acquired the Nassau County Medical Center, the A. Holly Patterson Geriatric Center and certain other health care facilities from the County in September 1999. Other noted hospitals are North Shore University Hospital, Long Island Jewish-Hillside Medical Center, St. Francis Hospital and Winthrop University Hospital.

Communications

The County is served by Newsday, a daily newspaper with a daily circulation in Nassau, Suffolk and Queens Counties in March 1998 of approximately 571,283. The County is also served by 76 weekly newspapers and the New York City newspapers with Long Island sections.

There are nine radio stations in the County and they are supplemented by 52 additional regional and neighboring stations that consider the County as part of their listening areas. Two television stations, Channels 31 and 57, are located in the County and nine additional VHF and UHF stations are received in the County. Cable TV is available in many areas of the County, providing additional programming.

Educational, Recreational and Cultural Facilities

There are various recreational, educational and cultural facilities available to County residents. Professional hockey teams perform at the Nassau Veterans Memorial Coliseum, home of the New York Islanders (the "Islanders"). Public beaches on the Atlantic Ocean and the Long Island Sound are accessible to all. The County's 15,190 acres of public park land are maintained by various villages, cities, towns, the County, the State and the United States. The parks provide golf, tennis, ice rinks, swimming pools and athletic fields. The County also has several institutions of higher education. These include C.W. Post College, Adelphi University, Hofstra University, New York Institute of Technology, U.S. Merchant Marine Academy and Nassau Community College. Historic sites such as Old Bethpage Village and Sagamore Hill; historical, art and natural history museums; theaters; symphony orchestras; and nature trails and preserves add to the recreational, cultural and educational activities available in the County.

The County has been in negotiations with the owners of the Islanders for the financing and construction of a new arena at the site of the existing Coliseum.

Water Service and Sanitary Sewer Facilities

There are 45 water districts in the County providing water service to most of the County's residents. Approximately 3,550 residents of the less densely populated northern sections of the County draw their water from private wells.

Seven incorporated villages in the County and the cities of Long Beach and Glen Cove operate and maintain their own sanitary sewer systems. The remainder of the County has been divided into four County Sewage Disposal Districts, three of which have been established and one proposed.

Sewage Disposal District No. 1, established May 26, 1958, covers the area of Inwood and has a treatment plant located therein. There is one collection district for this area.

Sewage Disposal District No. 2, established October 1, 1945, covers an area starting at the New York City boundary, east to Glen Cove Road and continuations of same, south from the Long Island Expressway to the shore line. There are eleven collection districts for this area. The treatment plant serving this disposal district is "Bay Park," located in East Rockaway.

Sewage Disposal District No. 3, established April 12, 1965, covers an area from the eastern boundary of Disposal District No. 2, east to the Suffolk County line and south from the Long Island Expressway to the shore line. There are 14 collection districts for this area. The treatment plant serving this disposal district is "Cedar Creek," located in Wantagh.

In order to meet increased demands, and to comply with the Federal Water Pollution Control Act Amendments of 1972, the County has commenced a program to modernize and expand the Bay Park and Cedar Creek plants and to renovate 20 pump stations located throughout disposal districts Nos. 1 and 2. The completion of this program will result in a more efficient treatment process and a reduction in the costs of operation and maintenance.

APPENDIX B

SUMMARY OF INDENTURE AND AGREEMENT

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SUMMARY OF INDENTURE AND AGREEMENT

This summary of the Indenture and the Agreement is qualified in its entirety by reference to such documents, copies of which are available from the Authority.

Definitions. The following terms, among others, are defined in the Indenture or the Agreement:

“*Accounts*” means the Collection Account, the Bond Account and the Redemption Account.

“*Accrued Debt Service*” means, as of any date of calculation, an amount equal to the sum of the amounts of accrued and unpaid Debt Service, calculating the accrued Debt Service with respect to each obligation to include Debt Service (including interest and Principal Installments) to accrue to the end of the then current calendar month and calculating any Principal Installments to be that portion of any such payments which would accrue during such period if such Principal Installments were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such obligations (or, if there is no preceding Principal Installment due date or such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of such obligations, whichever date is later). For the purposes of this definition, Principal Installment means, with respect to any obligations the payment of which constitute Debt Service, principal and sinking fund payments and any other such payment obligations not constituting interest or an interest component of such payment obligation.

The term “*ancillary contracts*” means contracts entered into pursuant to law by the Authority or for its benefit or the benefit of any of the Beneficiaries to facilitate the issuance, sale, resale, purchase, repurchase or payment of Bonds or Notes, including bond insurance, letters of credit and liquidity facilities.

“*Beneficiaries*” means Bondholders and, to the extent specified in the Indenture, Noteholders and the parties to ancillary and swap contracts.

“*Bondholders*,” “*Noteholders*” and similar terms mean the registered owners of the Bonds and Notes from time to time as shown on the registration books of the Authority or its designee as registrar, and, to the extent specified by Supplemental Indenture, the owners of bearer Bonds and Notes.

“*Bond Proceeds Fund*” means the Bond Proceeds Fund established pursuant to the Agreement.

“*Bonds*” means all obligations issued as Bonds.

“*Counsel*” means nationally recognized bond counsel or such other counsel as may be selected by the Authority for a specific purpose.

“*Debt Service*” means interest, redemption premium, purchase price to the extent provided by Officer’s Certificate of the Authority, principal and sinking fund payments due on outstanding Senior Bonds and (to the extent provided by Supplemental Indenture) Notes, and amounts payable from the Bond Account on Senior Agreements.

“*Debt Service Liquidity Account*” shall mean the Account so designated and held by the Trustee pursuant to the Indenture.

“Debt Service Liquidity Account Requirement” shall mean, as of the date of issuance of any Senior Bonds, the amount, if any, required by the Indenture to be on deposit in the Debt Service Liquidity Account, which shall be one-twelfth of the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal Year on Outstanding Senior Bonds, including on the Senior Bonds to be issued contemporaneously with such computation, using the Estimated Average Interest Rate for any variable interest rate Senior Bonds (or any reimbursement obligations issued in connection therewith which are deemed to be Bonds pursuant to the related Supplemental Indenture); provided, however, such Debt Service Liquidity Account Requirement shall be equal to \$0.0 unless, at the time of such required computation, the Authority’s projected maximum required monthly deposit of Sales Tax Revenues upon the issuance of such Senior Bonds is greater than one-half of the lowest total of actual monthly Sales Tax Revenue collections (as deposited into the Collection Account by the State Comptroller) in the last twenty-four full calendar months.

“Declaration of Need” means a determination and declaration by the County that it requests the Authority to undertake a Financing of Financeable Costs pursuant to and in accordance with the Act.

“Defeasance Collateral” means money and (A) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS” unless the Authority obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(B) obligations timely maturing and bearing interest but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof;

(C) certificates evidencing ownership of the right to the payment of the principal of or interest on obligations described in clause (B) of this definition, provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian; and

(D) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (A), (B) or (C) of this definition which fund may be applied only to the payment when due of such bonds or other obligations.

“Defeased Bonds” means Bonds or Notes that remain in the hands of their Holders but are no longer deemed Outstanding.

“Eligible Investments” means and includes any of the following obligations to the extent they are at the time legal for investment of such funds pursuant to any applicable provision of law:

- (i) Defeasance Collateral;

(ii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA or the Federal Farm Credit System;

(iii) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, if such deposits or instruments are rated A-1+ by S&P and the long-term unsecured debt obligations of the institution holding the related account has one of the two highest ratings available for such securities by Moody's and Fitch;

(iv) general obligations of, or obligations guaranteed by, any state of the United States, the District of Columbia or Puerto Rico receiving one of the two highest long-term unsecured debt ratings available for such securities by any two Rating Agencies;

(v) commercial or finance company paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) that is rated A-1+ by S&P and in one of the two highest categories by Moody's and Fitch;

(vi) repurchase obligations with respect to any security described in clause (i) or (ii) above entered into with a broker/dealer, depository institution or trust company (acting as principal) meeting the rating standards described in clause (iii) above;

(vii) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated in one of the two highest categories by Moody's and Fitch and at least AAm or AAm-G by Standard & Poor's, including if so rated any fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (b) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture, and (c) services performed for such funds and pursuant to the Indenture may converge at any time (the Authority specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Indenture);

(viii) investment agreements or guaranteed investment contracts (copies of which have been furnished to the Rating Agencies) rated, or with any financial institution whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in one of the two highest rating categories for comparable types of obligations by any two Rating Agencies; or

(ix) investment agreements with a corporation whose principal business is to enter into such agreements if (a) such corporation has been assigned a counterparty rating by Moody's and Fitch in one of the two highest categories, S&P has rated the investment agreements of such corporation in one of the two highest categories, (b) the Authority has an option to terminate each agreement in the event that such counterparty rating is downgraded below the two highest categories by Moody's and Fitch or the investment agreements of such corporation are downgraded below the two highest categories by S&P, and (c) a copy of the investment agreement has been furnished to the Rating Agencies;

provided that no investment held in the Bond Proceeds Fund may (a) evidence the right to receive only interest with respect to the obligations underlying such instrument or (b) be purchased at a price greater

than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

“*Estimated Average Interest Rate*” means, as to any obligations bearing a variable interest rate and as of any date of calculation, the interest rate or rates anticipated to be borne by such Bonds and the period or periods for which such rate or rates are anticipated to be in effect, all as determined by the Authority as the greater of the Index plus 2%, or the actual average for the last twenty-four months of variable interest rates on Outstanding variable interest rate Bonds, which rate or rates may, to the extent determined by the Authority, be the rate or rates payable in connection with such obligations and a related swap contract meeting the requirements of the Indenture.

“*FHLMC*” means the Federal Home Loan Mortgage Corporation.

“*Fiduciary*” means the Trustee, any representative of the Holders of Notes or Subordinate Bonds appointed by Supplemental Indenture, or any Paying Agent, including each fiscal agent.

“*Financeable Costs*” has the meaning given to the term “financeable costs” in the Act.

The term “*fiscal agent*” means each Paying Agent (initially the Trustee) designated by the Authority to act as registrar and transfer agent.

“*Fitch*” means Fitch, Inc.; references to Fitch are effective so long as Fitch is a Rating Agency.

“*FNMA*” means the Federal National Mortgage Association.

“*Index*” when calculating the Estimated Average Interest Rate, shall mean the average for the last twenty-four calendar months of (a) the BMA Municipal Swap Index™ formerly, the PSA Municipal Swap Index™ (as such term is defined in the *1992 ISDA U.S. Municipal Counterparty Definitions*) (the “BMA Municipal Swap Index™”) or (b) if the BMA Municipal Swap Index™ is no longer published, the Kenny Index™ (as such term is defined in the *1992 ISDA U.S. Municipal Counterparty Definitions*) or (c) if neither of the BMA Municipal Swap Index™ nor the Kenny Index™ are published, the index determined to equal the prevailing rate determined by the Authority for tax-exempt state and local government bonds meeting criteria determined in good faith by the Authority to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the BMA Municipal Swap Index™ just prior to when the Bond Market Association stopped publishing the BMA Municipal Swap Index™.

“*LFL*” means the Local Finance Law of the State, as amended from time to time.

“*Majority in Interest*” means the Holders of a majority of the Outstanding Bonds or Notes eligible to act on a matter, measured by face value at maturity unless otherwise specified in a Supplemental Indenture.

The term “*maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness*” means as determined by the Authority at any give time, the greatest amount of interest, principal and sinking fund payments on all outstanding Authority bonds, notes and ancillary and swap contracts (including payments on Subordinate Bonds and Notes and Senior Bonds and Notes, but excluding payments on Bond Anticipation Notes anticipated by the Authority to be repaid from Authority bonds, whether or not any such payments constitute Debt Service) payable in the current or any future fiscal year.

“*Moody’s*” means Moody’s Investors Service; references to Moody’s are effective so long as Moody’s is a Rating Agency.

The term “*operating expenses*” means all expenses incurred by the Authority in the administration of the Authority including but not limited to salaries, administrative expenses, insurance premiums, auditing and legal expenses, fees and expenses incurred for professional consultants and fiduciaries, payments on Notes and swap and ancillary contracts not paid as Financeable Costs or from the Bond Account, transfers to pay or service Subordinate Bonds, and all operating expenses so identified by Supplemental Indenture.

“*Outstanding*,” when used to modify Bonds or Notes, refers to Bonds or Notes issued under the Indenture, excluding: (i) Bonds or Notes which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds or Notes which have been paid; (iii) Bonds or Notes which have become due and for the payment of which money has been duly provided; (iv) Bonds or Notes, including any portion of any Series thereof, for which there has been irrevocably set aside sufficient Defeasance Collateral timely maturing and bearing interest, to pay or redeem them; and if any such Bonds or Notes are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Bonds or Notes and notice of such redemption shall have been duly mailed in accordance with the Indenture or irrevocable instructions so to mail shall have been given to the Trustee; (v) Bonds and Notes, including any portion of any Series thereof, the payment of which shall have been provided for pursuant to the defeasance of the Indenture; and (vi) for purposes of any consent or other action to be taken by the Holders of a Majority in Interest or specified percentage of Bonds or Notes, Bonds or Notes held by or for the account of the Authority, the County or any person controlling, controlled by or under common control with either of them.

“*Rating Agency*” means each nationally recognized statistical rating organization that has, at the request of the Authority, a rating in effect for the unenhanced Senior Bonds.

“*Rating Confirmation*” means evidence that no Senior Bond rating in effect from a Rating Agency will be withdrawn or reduced solely as a result of an action to be taken under the Indenture.

“*Requisition*” means a certificate in writing signed by an Authorized Officer of the County in the form required by the Authority under the Agreement.

“*Revenues*” means the Sales Tax Revenues, investment earnings on money and investments on deposit in the Accounts and all other income and receipts (other than Note or Bond proceeds) paid or payable to the Authority or the Trustee for the account of the Authority to the extent such other income and receipts are to be treated as Revenues under the terms of the Indenture, but in no event shall Revenues include any Transitional State Aid.

“*Sales Tax Revenues*” means the sales and compensating use tax net collections paid or payable to the Authority pursuant to §1261 of the Tax Law or a successor statute.

“*Senior Agreements*” means ancillary and swap contracts to the extent that amounts are payable thereon from the Bond Account pursuant to a Supplemental Indenture.

“*Senior Bonds*” means all Bonds issued as Senior Bonds.

“*Senior Notes*” means all Notes issued as Senior Notes.

“*Series*” means all Notes or Bonds so identified in a Supplemental Indenture, regardless of variations in maturity, interest rate or other provisions, and any Notes or Bonds thereafter delivered in exchange or replacement therefor.

“*S&P*” means Standard & Poor’s Ratings Services; references to S&P are effective so long as S&P is a Rating Agency.

“*Subordinate Agreements*” means ancillary and swap contracts to the extent that such contracts are not Senior Agreements.

“*Subordinate Bonds*” means all Bonds other than Senior Bonds.

“*Subordinate Notes*” means all Notes other than Senior Notes.

The term “*swap contract*” means an interest rate exchange or similar agreement entered into by the Authority pursuant to the Act, with Rating Confirmation from each Rating Agency.

“*Tax-Exempt Bonds*” or “*Tax-Exempt Notes*” means all Bonds or Notes so identified in any Supplemental Indenture.

“*Tax Law*” means the Tax Law of the State, as amended from time to time.

THE INDENTURE

Directors, State and County Not Liable on Notes or Bonds. Neither the Directors of the Authority nor any person executing Notes, Bonds or other obligations of the Authority shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

The Notes, Bonds and other obligations of the Authority shall not be a debt of either the State or the County, and neither the State nor the County shall be liable thereon, nor shall they be payable out of any funds other than those of the Authority; and the Notes and Bonds shall contain on the face thereof a statement to such effect.

Security and Pledge. Pursuant to the Act, the Authority assigns and pledges to the Trustee subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, (a) the Revenues, (b) all rights to receive the Revenues and the proceeds of such rights, (c) all Accounts and assets thereof, including money, contract rights, general intangibles or other personal property, held by the Trustee, (d) the State Covenant and tax contract of the State and the County Covenant and the other covenants, agreements and acknowledgements of the County made in the Indenture and the Agreement and (e) any and all other property of every kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security. Except as specifically provided, this assignment and pledge does not include: (i) the rights of the Authority pursuant to provisions for consent or other action by the Authority, notice to the Authority, indemnity or the filing of documents with the Authority, or otherwise for the Authority's benefit and not for that of the Beneficiaries, or (ii) any right, duty or power reserved to the Authority pursuant to the Act or other law. The Authority will implement, protect and defend this assignment and pledge by all appropriate legal action, the cost thereof to be an operating expense. The preceding, and all pledges and security interests made and granted by the Authority pursuant to the Indenture, are immediately valid, binding and perfected to the full extent provided by the Act. The foregoing collateral is pledged and a security interest is therein granted, to secure the payment of Bonds,

Notes, and payments in respect of Senior Agreements and Subordinate Agreements; provided, however, that the pledge and security interest granted to secure the Authority's obligation to pay Subordinate Bonds and Subordinate Agreements shall be subject and subordinate to the pledge and security interest granted to secure Debt Service. The lien of such pledge and the obligation to perform such contractual provisions shall have priority over any or all other obligations and liabilities of the Authority secured by the Revenues. The Authority shall not incur any obligations, except as authorized by the Indenture, secured by a lien on the Revenues or Accounts equal or prior to the lien of the Indenture.

Defeasance. (a) If the Authority shall pay or cause to be paid to the Beneficiaries of all obligations then Outstanding the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the respective covenants of the Authority, the State and the County to the Beneficiaries shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Indenture which are not required for the payment or redemption of obligations not theretofore surrendered for such payment or redemption.

(b) Outstanding Bonds or Notes or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agents shall, at the respective maturity or redemption dates thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) above. Outstanding Bonds or Notes or any portions thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) above either (A) as provided in the Supplemental Indenture authorizing their issuance or (B) if (i) in case any of said Bonds or Notes 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 mail as provided in the Indenture notice of redemption on said date of such obligations, (ii) there shall have been irrevocably deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Collateral the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or redemption price, if applicable, and interest due and to become due on such Bonds or Notes or such portions thereof on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Bonds or Notes are not by their terms maturing or are not subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Beneficiaries of such Bonds or Notes that the deposit required by (ii) above has been made with the Trustee and that said Bonds or Notes are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which money is to be available for the payment of the principal or redemption price, if applicable, on such Bonds or Notes. Neither Defeasance Collateral nor money deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Defeasance Collateral shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds or Notes provided that any money on deposit with the Trustee, (x) to the extent such money will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or Notes or otherwise existing under the Indenture, and (y) to the extent such money will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Collateral maturing at times and in amounts sufficient, together with any money available to the Trustee for such purpose, to pay when due the principal or

redemption price, if applicable, and interest to become due on said Bonds or Notes on and prior to such redemption date or maturity date thereof, as the case may be.

(c) Upon such defeasance, the funds and investments required to pay or redeem the Bonds, Notes and other obligations to Beneficiaries shall be irrevocably set aside for that purpose, subject only, however, to the provisions of the Indenture relating to unclaimed money, and money held for defeasance shall be invested only as provided above and applied by the Trustee and other Paying Agents, if any, to the retirement of the Bonds and Notes and other obligations. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds, Notes and other obligations to Beneficiaries in full shall, after satisfaction of all the rights of the Authority and the Trustee, be distributed to the Authority upon such indemnification, if any, as the Trustee reasonably requires.

Notes and Bonds of the Authority. (a) By Supplemental Indenture complying procedurally and in substance with the Act and the Indenture, the Authority may authorize, issue, sell and deliver (i) Bonds or (ii) Notes, including Notes in anticipation of Bonds, from time to time in such principal amounts as the Authority shall determine to be necessary, to provide sufficient funds to finance Financeable Costs by payment or reimbursement, and funding reserves to secure Notes or Bonds; and may issue Notes or Bonds to renew or refund Notes or Bonds, by exchange, purchase, redemption or payment, and establish such escrows therefor as it may determine.

(b) Bonds and Notes may be issued only:

(i) as Senior Bonds or Notes, or as Subordinate Bonds or Notes;

(x) to pay or reimburse Financeable Costs, but not to exceed the limitations for specified Financeable Costs set forth in the Act in issuance amount, measured by proceeds to the Authority, and in the case of variable interest rate Bonds, not to exceed a total aggregate principal amount Outstanding at any time of \$500 million of such variable interest rate Bonds except to the extent Rating Confirmation is obtained, and

(y) to refund or renew such Bonds or Notes; but

(ii) no Senior Bonds or Notes shall be authenticated and delivered except upon receipt by the Trustee of the following:

(y) an Officer's Certificate of the Authority setting forth, and based upon information provided to the Authorized Officer filing such Officer's Certificate by the State Comptroller or other State official on whom such Authorized Officer may reasonably rely, the most recent receipts by the Trustee (or by the Authority or the County, as applicable, with respect to the period prior to redirection of such amounts to the Trustee) for the 12 consecutive calendar months ended not more than three months prior to the date of such certificate, of the Sales Tax Revenues, in effect at the date of issuance of such Series of Bonds or Notes, collected by the State and to be payable to the Authority; and

(z) an Officer's Certificate of the Authority setting forth

- (I) the aggregate amount of Debt Service (excluding any accrued or capitalized interest), including such Series of Bonds or Notes, for each Fiscal Year Bonds or Notes that will be Outstanding, and
- (II) that the amounts set forth pursuant to clause (y) will be at least three times the aggregate amount set forth in clause (z)(I) for each Fiscal Year set forth pursuant to clause (z)(I).
- (iii) no Senior Bonds shall be authenticated and delivered except upon receipt by the Trustee of (y) an Officer's Certificate of the Authority making the computation required in the definition of Debt Service Liquidity Account Requirement, determining whether or not such requirement has been triggered, and if so, the amount required to be deposited to the Debt Service Liquidity Account to fulfill such Debt Service Liquidity Account Requirement, and (z) provision for such deposit.

Each interest rate on Outstanding and proposed variable interest-rate Bonds or Notes, shall be assumed at the Estimated Average Interest Rate.

(c) The Notes and Bonds shall bear such dates and shall mature at such times as the Authority may provide pursuant to the Act. The Notes and Bonds shall bear interest at such fixed or variable rates, and shall be in such denomination, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place and be subject to such terms of redemption as the Authority may provide pursuant to the Act. The Notes and Bonds may be sold by the Authority at public or private sale pursuant to the Act.

Documents to be Delivered to Trustee. The Authority may from time to time request the authentication and delivery of a Series of Bonds or Notes by providing to the Trustee (at or prior to such authentication and delivery), among other documents, the following:

(a) an Officer's Certificate as to the purposes to be financed and to the effect that there is no default that will remain uncured immediately following such delivery, nor an uncured failure of the State or the County to comply with their respective agreements provided for in the Act, as in effect at the date of the Indenture; and

(b) an opinion of Counsel as to the due authorization, execution and delivery by the Authority of the Indenture and each relevant Supplemental Indenture; to the effect that the Indenture is in full force and effect and that the Bonds or Notes are valid and binding; and after delivery of the initial Series of Bonds, to the effect that the issuance of the Bonds or Notes will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or Tax-Exempt Notes theretofore issued (as set forth in the opinions delivered with such prior Bonds or Notes).

Ancillary and Swap Contracts. Pursuant to the Act, the Authority may enter into, amend or terminate, as it determines to be necessary or appropriate, any ancillary or swap contracts, including Senior Agreements. The Authority may by Supplemental Indenture provide for the payment through the Bond Account of any amounts due pursuant to ancillary and swap contracts (excluding termination payments), any such ancillary and swap contracts thereby constituting Senior Agreements. Any amounts paid or payable to the Authority pursuant to any ancillary or swap contract shall constitute a Revenue and, except as otherwise provided in a Supplemental Indenture, shall be deposited in the Bond Account.

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by Supplemental Indenture, authorize the issuance of Notes and renewals thereof in anticipation of such Series. The interest on such Notes and renewals thereof may be made payable from the proceeds of such Notes, from the Bond Account or from the proceeds of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of or interest on such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the Indenture. Subject to the Indenture, the Authority may also pledge the Revenues and the Accounts to the payment of the principal of such Notes.

Financeable Costs. Proceeds of the sale of the Bonds and Notes issued for Financeable Costs shall be promptly deposited in the Bond Proceeds Fund to the extent set forth by Supplemental Indenture, and applied to finance Financeable Costs. The Authority shall transfer its earnings on the Bond Proceeds Fund to the Collection Account as Revenues, or otherwise apply such earnings in accordance with the Tax Code pursuant to Officer's Certificate.

Limited Purpose of Indenture. The Indenture provides for the issuance and payment of the Authority's obligations and the financing and refinancing of Financeable Costs. The Indenture is not intended to convey to the Trustee or the Beneficiaries any right to exercise or approve the Authority's oversight powers and duties, including those set forth in the Act, and the right and obligation to exercise such powers and duties is reserved solely to the Authority, nor is the Indenture intended to convey to the Trustee or the Beneficiaries the benefit of any provisions of the Agreement not expressly pledged pursuant to the Indenture. Except as set forth in the Indenture and the Agreement, the Authority, the County and the Trustee shall have no liability to each other or to the Beneficiaries for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any capital project of the County financed as a Financeable Cost or for the financing of Financeable Costs.

Application of Revenues. (a) Provision is made in the Act for the payment to the Authority of the Sales Tax Revenues, and the Authority has requested the State Comptroller to make such payments to the Collection Account to be held by the Trustee. Any Revenues received by the Authority shall be promptly deposited in the Collection Account. All Revenues in the Collection Account shall be applied upon receipt by the Trustee, in the following order of priority: *first* to the Bond Account to pay Debt Service pursuant to paragraph (b) summarized below, and any amount, if any, necessary to replenish the Debt Service Liquidity Account to the extent of any withdrawal therefrom; *second*, pursuant to Supplemental Indentures for the benefit of Subordinate Noteholders, Subordinate Bondholders and parties to Subordinate Agreements, to the extent such Supplemental Indentures may require application of Revenues to pay such items after payment of Debt Service but prior to Authority operating expenses; *third*, to the Authority's operating expenses, which may include deposits to the Redemption Account for optional redemption and reserves to be held by the Authority for payment of operating expenses, in such amounts as may be determined by Supplemental Indenture or Officer's Certificate; and *fourth* except to the extent set forth in the next sentence hereof, as soon as practicable, to the order of the County, free and clear of the lien of the Indenture. The Authority shall set aside Revenues otherwise payable to the County in a "county of Nassau revenue anticipation note withholding fund" to the extent required to comply with Section 3657(6) of the Act.

(b) At the beginning of each calendar month, the Trustee shall begin to transfer all Revenues from the Collection Account to the Bond Account, and shall continue such transfers until the amount in the Bond Account is equal to Accrued Debt Service to the last day of such month (or, if Debt Service is payable on a date other than the first day of each calendar month, to such day of the succeeding month). To the extent that Debt Service includes principal, interest or premium on Bonds or Notes to be purchased or redeemed prior to maturity, such Debt Service may be paid through the Redemption

Account, and the Authority may by Officer's Certificate direct the Trustee to transfer Revenues thereto, rather than to the Bond Account.

(c) Prior to any payment date for Debt Service, the Authority may by Officer's Certificate estimate interest payable at a variable rate; or treat anticipated receipts on an ancillary or swap contract as offsets thereto as specified in the Indenture.

(d) The transfers and payments shall be appropriately adjusted by Officer's Certificate of the Authority to reflect the date of issue of Notes or Bonds, any accrued or capitalized interest deposited in the Bond Account or any other amounts irrevocably pledged to the payment of such Debt Service for such period, dates of receipt of Revenues, actual rates of interest, any amount needed or held in the Accounts for Debt Service, and any purchase or redemption of Notes or Bonds, so that there will be available on each payment date the amount necessary to pay Debt Service and so that accrued or capitalized interest will be applied to the installments of interest to which it is applicable.

(e) Revenues shall in all events be transferred from the Collection Account to the Bond Account or Redemption Account to provide for the timely payment of Debt Service, and all Revenues shall be applied to pay Debt Service and other amounts then overdue pursuant to the Indenture.

(f) Money, if any, on deposit in the Debt Service Liquidity Account shall be held in trust and, except as otherwise provided, shall be applied solely to remedy any shortfall in the Bond Account in amounts due on Debt Service. If at any time the amount, if any, on deposit in the Debt Service Liquidity Account is in excess of the Debt Service Liquidity Account Requirement, the Trustee shall transfer such excess from the Debt Service Liquidity Account to the Collection Account.

Bond Account. A Bond Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. Accrued interest received upon the sale of Notes (if so specified by Supplemental Indenture) or Senior Bonds shall be deposited in the Bond Account. The money in the Bond Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of Debt Service. If at any time the amount held in the Bond Account exceeds Accrued Debt Service, the Trustee shall transfer such excess to the Collection Account as Revenues. The Trustee shall pay, or transfer money from the Bond Account to a Paying Agent in time for the Paying Agent to pay, Debt Service when due in same-day funds.

Redemption Account. A Redemption Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. The money and investments in such Account shall be held in trust and, except as otherwise specified, shall be applied by the Trustee to the redemption of Bonds and Notes. Upon direction by Officer's Certificate of the Authority, the Trustee shall apply money in the Redemption Account to the purchase of Bonds and Notes for cancellation at prices not exceeding (unless so directed by Officer's Certificate of the Authority) the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not with money required to pay Bonds or Notes for which notice of redemption has been given. Accrued interest on the purchase of Bonds and Notes may be paid from the Bond Account (if so payable under the Indenture) or as directed by Officer's Certificate of the Authority.

When money in the Redemption Account is to be applied to the redemption of Notes or Bonds, the Trustee shall pay, or transfer such money to a Paying Agent in time for the Paying Agent to pay, such Notes or Bonds when due in same-day funds.

If on any date the amount in the Bond Account is less than the amount then required to be applied to pay Debt Service then due, the Trustee shall apply the amount in the Redemption Account (other than

any sum irrevocably set aside for particular Notes or Bonds no longer Outstanding) to the extent necessary to meet the deficiency.

Redemption of the Bonds and Notes. The Authority may redeem Bonds and Notes at its option in accordance with their terms and shall redeem Bonds and Notes in accordance with their terms pursuant to any mandatory redemption (“sinking fund”) requirements established by Supplemental Indenture. When Bonds or Notes are called for redemption, the accrued interest thereon shall become due on the redemption date. To the extent not otherwise provided, the Authority shall deposit with the Trustee on or prior to the redemption date a sufficient sum to pay principal, redemption premium, and accrued interest.

Unless otherwise specified by Supplemental Indenture, there shall, at the option of the Authority, be applied to or credited against any sinking fund requirement the principal amount of any such Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

When Bonds or Notes are to be redeemed prior to maturity, the Trustee shall give notice in the name of the Authority, which notice shall identify the Bonds or Notes to be redeemed, state the date fixed for redemption and state that such Bonds or Notes will be redeemed at the corporate trust office of the Trustee or a Paying Agent. The notice shall further state that on such date there shall become due and payable upon each Bond or Note to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that money therefor having been deposited with the Trustee or Paying Agent, from and after such date, interest thereon shall cease to accrue. The Trustee shall give 30 days’ notice by mail, or otherwise transmit the redemption notice in accordance with the applicable Supplemental Indenture, to the registered owners of any Bonds or Notes which are to be redeemed, at their addresses shown on the registration books of the Authority. Such notice may be waived by any Holder of Bonds or Notes to be redeemed. Failure by a particular Holder to receive notice, or any defect in the notice to such Holder, shall not affect the redemption of any other Bond or Note.

Investments. Pending its use, money in the Accounts may be invested by the Trustee in Eligible Investments maturing or redeemable at the option of the holder at or before the time when such money is expected to be needed and shall be so invested pursuant to written direction of the Authority if there is not then an Event of Default known to the Trustee. Investments shall be held by the Trustee in the respective Accounts and shall be sold or redeemed to the extent necessary to make payments or transfers from each Account.

Except as otherwise specified, any interest realized on investments in any Account and any profit realized upon the sale or other disposition thereof shall be credited to the Collection Account.

The Trustee may hold undivided interests in Eligible Investments for more than one Account (for which they are eligible) and may make interfund transfers in kind.

If any money is invested under the Indenture and a loss results therefrom so that there are insufficient funds to pay Debt Service or to redeem Bonds or Notes called for redemption, then the deficiency shall be timely filled from Revenues (as Debt Service if so payable under the Indenture).

Unclaimed Money. Except as may otherwise be required by applicable law, in case any money deposited with the Trustee or a Paying Agent for the payment of the principal of, or interest or premium, if any, on any Bond or Note remain unclaimed for two years after such principal, interest or premium has become due and payable, the Fiduciary may and upon receipt of a written request of the Authority will pay over to the Authority the amount so deposited and the owner of such Bond or Note shall be entitled (subject to any applicable statute of limitations) to look only to the Authority as an unsecured creditor for the payment thereof.

Contract; Obligations to Beneficiaries. In consideration of the purchase and acceptance of any or all of the Bonds and Notes and ancillary and swap contracts by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Authority with the Beneficiaries, and shall be deemed to be and shall constitute contracts among the Authority, the Trustee, the County to the extent specified in the Agreement, the Beneficiaries from time to time and, to the extent specified in the Act, the State. The pledge made in the Indenture and the covenants set forth to be performed by the Authority, the County and the State shall be for the equal benefit, protection and security of the Beneficiaries of the same priority. All of the Bonds or Notes or ancillary or swap contracts of the same priority, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any thereof over any other except as expressly provided pursuant to the Indenture and the Act.

The Authority shall pay when due all sums payable on the Bonds and Notes, from the Revenues and money designated in the Indenture, subject only to (i) the Act and the Indenture, and (ii) to the extent permitted by the Act and the Indenture, (x) agreements with Holders of Bonds and Notes pledging particular collateral for the payment thereof and (y) the rights of Beneficiaries under ancillary and swap contracts. The obligation of the Authority to pay principal, interest and redemption premium, if any, to the Holders of Bonds and Notes shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment or counterclaim. The Authority shall also pay its operating expenses.

Enforcement. The Authority shall enforce or cause the Trustee to enforce by appropriate legal proceedings, each covenant, pledge or agreement made by the County or the State in the Indenture or in or pursuant to the Act for the benefit of any of the Beneficiaries.

Tax Covenant. The Authority shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code; and no funds of the Authority shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in such Code and any applicable Regulations issued thereunder. If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, pay from the Bond Proceeds Fund or as an operating expense the amount, if any, required by the Code to be rebated thereto or paid as a related penalty.

Accounts and Reports. The Authority shall (1) cause to be kept books of account in which complete and accurate entries shall be made of its transactions relating to all funds and accounts under the Indenture, which books shall at all reasonable times be subject to the inspection of the County, the Trustee and the Holders of an aggregate of not less than 25% in principal amount of Bonds and Notes then Outstanding or their representatives duly authorized in writing; and

(2) keep in effect at all times by Officer's Certificate an accurate and current schedule of all Debt Service to be payable during the life of then Outstanding Bonds, Notes and Senior Agreements secured by the Bond Account, certifying for the purpose such estimates as may be necessary.

Ratings. Unless otherwise specified by Supplemental Indenture, the Authority shall pay such reasonable fees and provide such available information as may be necessary to obtain and keep in effect ratings on all the Senior Bonds from at least two nationally recognized statistical rating organizations.

No Other Business. The Authority shall not engage in any line of business not contemplated by the Act.

No Indebtedness or Funds of County. Except to the extent required by the Act, the Indenture does not constitute indebtedness of the County for purposes of Section 20.00 of the LFL or any constitutional or statutory limitation. The Authority's revenues, including the Revenues, are not funds of the County.

County Covenant. The Authority includes in the Indenture the County's pledge and agreement with the holders of any bonds, notes or other evidences of indebtedness of the Authority that the County will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such holders pursuant to the Act (including the ability to enforce the County's obligations under the Agreement), or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other evidences of indebtedness until such bonds, notes or other evidences of indebtedness, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. This County Covenant shall not be deemed to restrict any right the County may have to amend, modify or otherwise alter local laws, ordinances or resolutions imposing or relating to the Sales Tax Revenues or other taxes or fees or appropriations related to any such taxes or fees, so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration shall be not less than 200% of maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness then outstanding.

State Covenant and Tax Contract. The Authority includes in the Indenture: (a) the State's pledge and agreement with the holders of outstanding bonds, notes or other evidences of indebtedness that the State will not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of any agreements made with the holders (including the ability to enforce the County's obligations under the Agreement), or in any way impair the rights and remedies of such holders or the security for the bonds, notes or other evidences of indebtedness until such bonds, notes or other evidences of indebtedness, together with the interest thereon, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged; (b) the further terms of Section 3658 of the Act to the effect that: nothing contained in this covenant or the Act shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Sales Tax Revenues and nothing in this covenant shall be deemed to obligate the State to make any additional payments or impose any taxes to satisfy the obligations of the Authority; and (c) the tax contract of the State in the Act.

Authority Acknowledgments. (a) The Authority acknowledges that the County's covenants and pledge and agreement for the benefit of the Holders and the State Covenant and Tax Contract constitute important security provisions of the Bonds and Notes, and to the fullest extent permitted by applicable Federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the County, the State or any other person of, any such claim to the contrary.

(b) By acknowledging that the County's covenants and pledge and agreement for the benefit of the Holders and the State Covenant and Tax Contract constitute important security provisions of the Bonds and Notes, the Authority also acknowledges, to the fullest extent permitted by applicable Federal and State law, that, in the event of any failure or refusal by the County or the State to comply therewith, the Holders of the Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable Federal and State law, determined,

in addition to any other remedy available at law or in equity, in the course of any action taken pursuant to the Indenture; and to the fullest extent permitted by applicable Federal and State law, the Authority waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the County, the State or any other person of, any claim to the effect that no such monetary damages have been suffered.

(c) The Authority confirms that the acknowledgments and agreements summarized in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriters of the initial Series of Bonds and may further acknowledge in any Supplemental Indenture if and the extent to which any provision of the Indenture has been amended, or any provision of such Supplemental Indenture has been included therein, as a result of the same or similar negotiations.

Rights and Duties of the Fiduciaries. The Fiduciaries shall not be required to monitor the financial condition of the Authority or the physical condition of any Project and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates or other documents filed with them under the Indenture, except to make them available for inspection by Beneficiaries.

Upon a failure of the Authority to make a payment of Debt Service when due or a failure known to an Authorized Officer of the Trustee to make any other required payment within 7 days after the same becomes due and payable, the Trustee shall give written notice thereof to the Authority. The Trustee shall give notices of default when instructed to do so by the written direction of another Fiduciary or the owners of at least 25% in principal amount of the Outstanding Senior Bonds or with respect to the Indenture, if the Event of Default is actually known to an Authorized Officer. The Trustee shall proceed under the Indenture for the benefit of the Holders in accordance with the written directions of a Majority in Interest of the Outstanding Senior Bonds. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred.

Each Fiduciary shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. Each Fiduciary may rely conclusively on any notice, certificate or other document furnished to it under the Indenture and reasonably believed by it to be genuine. A Fiduciary shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under the Indenture or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by a Fiduciary is called for by the Indenture, the Fiduciary may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act.

Any fees, expenses, reimbursements or other charges which any Fiduciary may be entitled to receive from the Authority, if not otherwise paid, shall be a first lien upon (but only upon) any funds held by the Trustee for payment of operating expenses.

Paying Agents. The Authority designates the Trustee a Paying Agent. The Authority may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor. The Authority shall designate a successor if the Trustee ceases to serve as Paying Agent. Each Paying Agent shall be a bank or trust company eligible under the Act, and unless otherwise provided by Supplemental Indenture shall have a capital and surplus of not less than \$50,000,000 and be registered as a transfer agent with the Securities and Exchange Commission. The

Authority shall give notice of the appointment of a successor to the Trustee as Paying Agent in writing to each Beneficiary shown on the books of the Trustee. A Paying Agent may but need not be the same person as the Trustee. Unless otherwise provided by the Authority, the Trustee as Paying Agent shall act as Bond and Note registrar and transfer agent.

Resignation or Removal of the Trustee. The Trustee may resign on not less than 45 days' written notice to the Authority and the Holders. The Trustee will promptly certify to the Authority that it has given written notice to all Holders and such certificate will be conclusive evidence that such notice was given as required by the Indenture. The Trustee may be removed by written notice from the Authority (if not in default) or a Majority in Interest of the Outstanding Senior Bonds to the Trustee and the Authority. Such resignation or removal shall not take effect until a successor has been appointed.

Successor Fiduciaries. Any corporation or association which succeeds to the municipal corporate trust business of a Fiduciary as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights, powers and duties thereof under the Indenture, without any further act or conveyance.

In case a Fiduciary resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of a Fiduciary or of its property is appointed, or if a public officer takes charge or control of a Fiduciary, or of its property or affairs, then such Fiduciary shall with due care terminate its activities and a successor may, or in the case of the Trustee shall, be appointed by the Authority. If no appointment of a successor Trustee is made within 45 days after the giving of written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee shall be a trust company or a bank having the powers of a trust company, located in the State, having a capital and surplus of not less than \$50,000,000.

Fiduciaries for Notes and Subordinate Bonds. The Authority may by Supplemental Indenture provide for the appointment of a Fiduciary (which may be the Trustee) to represent the Holders of Notes or Subordinate Bonds, having powers and duties not inconsistent with the Indenture or the Act.

Action by Holder. Any request, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be given or taken by Holders of Bonds or Notes may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Holders or their attorneys duly appointed in writing or by such electronic or other means as may be recognized pursuant to applicable law. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Indenture (except as otherwise therein expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate or signature guarantee, which need not be acknowledged or verified, of an officer of a bank, trust company or securities dealer satisfactory to the Authority or to the Trustee; or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Holder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary. Any action of

the Owner of any Bond or Note shall be irrevocable and bind all future record and beneficial owners thereof.

Registered Owners. The enumeration of certain provisions applicable to DTC as Holder of immobilized Notes and Bonds shall not be construed in limitation of the rights of the Authority and each Fiduciary to rely upon the registration books in all circumstances and to treat the registered owners of Notes and Bonds as the owners thereof for all purposes not otherwise specifically provided for. Notwithstanding any other provisions of the Indenture, any payment to the registered owner of a Note or Bond shall satisfy the Authority's obligations thereon to the extent of such payment.

Events of Default; Default. "Event of Default" in the Indenture means any one of the events set forth below and "default" means any Event of Default without regard to any lapse of time or notice: (a) the Authority shall fail to pay when due any interest, principal or redemption premium on a Note or Bond; (b) the Authority shall fail to observe or perform any of its other agreements, covenants or obligations under the Indenture and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the Authority; (c) specified events of insolvency relating to the Authority; (d) the State shall (i) amend, alter, repeal or fail to comply with the State Covenant or its tax contract in the Act as in effect on the date of the Indenture or (ii) enact a moratorium or other similar law affecting the Bonds or Notes; and (e) the County shall fail to observe or perform any of its agreements, covenants or obligations under the Agreement that have been pledged for the benefit of the Holders and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the County and the Authority or by the Authority to the Trustee and the County.

Remedies of the Trustee. If an Event of Default occurs and is continuing: (1) the Trustee may, and upon written request of the Holders of 25% in principal amount of the Senior Bonds and Notes Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules of the State: (a) enforce all rights of the Holders and require the Authority or, to the extent permitted by law, the State or the County to carry out its agreements with the Holders and to perform its duties under the Act; (b) sue upon such Bonds and Notes; (c) require the Authority to account as if it were the trustee of an express trust for the Holders of such Bonds and Notes; and (d) enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds and Notes; (2) the Trustee shall, in addition, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Holders in the enforcement and protection of their rights; and (3) if such Event of Default is described in clause (a), and relates to a Bond or Note the payment of which constitutes Debt Service or is described in clause (c), the Trustee shall (a) give Written Notice thereof to the Authority, the Holders, the County Executive, the County Legislature, the County Comptroller, the Governor, the State Comptroller, the chair and ranking minority member of the Senate Finance Committee, and the chair and ranking minority member of the Assembly Ways and Means Committee and (b) if so directed by a Majority in Interest of the Senior Bonds, and having given 30 days' notice to the Authority, declare the principal amount of all Bonds and Notes to be, and the same shall become, due and payable.

Subordinate Note and Subordinate Bond Remedies. Subject to the prior application of the Accounts to pay Debt Service, the Indenture and to each applicable Supplemental Indenture, the Holders of Subordinate Notes or Subordinate Bonds, or a Fiduciary appointed for them, may enforce the provisions of the Indenture for their benefit by appropriate legal proceedings.

Individual Remedies. No one or more Holders shall by his or their action affect, disturb or prejudice the pledge created by the Indenture, or enforce any right under the Indenture, except in the manner therein provided; and all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided therein and for the equal benefit of all

Holders of the same class; but nothing in the Indenture shall affect or impair the right of any Holder of any Bond or Note to enforce payment of the principal thereof, premium, if any, or interest thereon at and after the maturity thereof, or the obligation of the Authority to pay such principal, premium, if any, and interest on each of the Bonds and Notes to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds and Notes.

Venue. The venue of every action, suit or special proceeding against the Authority shall be laid in the County of Nassau, New York.

Waiver. If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, by written notice to the Authority, and shall do so upon written instruction of the Holders of at least 25% in principal amount of the Outstanding Senior Bonds and Notes.

Application of Money. If available money in the Accounts is not sufficient on any day to pay all Debt Service, Subordinate Bonds and Subordinate Agreements then due or overdue, such money (subject to provisions theretofore made for the payment of Bonds or Notes no longer outstanding) shall be applied *first* to the Trustee's fees and other costs of collecting and applying the Revenues and administering the accounts, *second* to the payment of interest, including interest on overdue principal and interest, in the order in which the same became due (pro rata with respect to interest which became due at the same time), and if the amount available shall not be sufficient to pay in full any installment or installments of interest or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; *third* to the payment of principal (including sinking fund installments) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due), and if the amount available shall not be sufficient to pay in full all principal, premium or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; and *fourth* to the payment to any Notes (to the extent not paid as Debt Service), Subordinate Bonds and Subordinate Agreements then due and, if the amounts available are insufficient to pay in full all such subordinated payment obligations, then to the payment thereof ratably, without preference or priority of any such item over any other. For this purpose Debt Service on Senior Agreements shall be characterized in accordance with their financial terms and interest on overdue principal shall be treated as coming due on the first day of each month. Whenever money is to be applied pursuant to this section, such money shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Upon the exercise of such discretion the Trustee shall fix the date (which shall be the first of a month unless it deems another date more suitable) upon which such application is to be made, and upon such date interest on the principal then provided for shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing, of any such date. When interest or a portion of the principal is to be paid on an overdue Bond or Note, the Trustee may require presentation of the Bond or Note for endorsement of the payment.

Supplements and Amendments. (A) The Indenture may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority to (a) provide for earlier or greater deposits into the Bond Account, (b) subject any property to the lien of the Indenture, (c) add to the covenants and agreements of the Authority or surrender or limit any right or power of the Authority, (d) identify particular Notes or Bonds for purposes not inconsistent with the Indenture including credit or liquidity support, remarketing, serialization and defeasance, or (e) authorize Bonds or Notes of a Series and in connection therewith determine the matters referred to in the Indenture and any other things

relative to such Bonds or Notes that are not prejudicial to the Holders, or to modify or rescind any such authorization or determination at any time prior to the first authentication and delivery of such Series of Bonds or Notes; or

(2) amended by the Authority and the Trustee (a) to cure any ambiguity or defect, (b) to add provisions that are not prejudicial to the Holders, (c) to adopt amendments that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain Outstanding or (ii) such amendment is consented to by the Holders of such Bonds or Notes in accordance with the Indenture, or (d) pursuant to paragraph (B) summarized below.

(B) Except as described in the foregoing paragraph (A), the Indenture may be amended (1) only with the written consent of a Majority in Interest of the Subordinate Bonds, Senior Bonds and Notes (acting as three separate classes) to be Outstanding at the effective date thereof and affected thereby; but (2) only with the unanimous written consent of the affected Holders for any of the following purposes: (a) to extend the maturity of any Bond or Note, (b) to reduce the principal amount or interest rate of any Bond or Note, (c) to make any Bond or Note redeemable other than in accordance with its terms, (d) to create a preference or priority of any Bond or Note over any other Bond or Note of the same class or (e) to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment.

(C) Any amendment of the Indenture shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds and Tax-Exempt Notes from gross income for Federal income tax purposes.

Beneficiaries. The Indenture is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Fiduciaries, the Holders of Notes and Senior Bonds, and the other Beneficiaries to the extent specified therein.

THE AGREEMENT

County's Further Assurances. Pursuant to the Act, the County acknowledges the State's grant to the Authority and the Authority's pledge and assignment to the Trustee of, and disclaims ownership of, all subject to the terms of the Act: the County's right, title and interest in and to the Sales Tax Revenues, and all rights to receive the same and the proceeds thereof; and the County will protect and defend the Trustee's title to assets thereto.

Separate Accounts and Records. The Authority and the County represent and covenant, each for itself, that: (a) Each of them will maintain its books, financial records and accounts (including, without limitation, inter-entity transaction accounts) in a manner so as to identify separately the assets and liabilities of each such entity; each has observed and will observe all applicable corporate procedures and formalities, including, where applicable, the holding of regular periodic and special meetings of governing bodies, the recording and maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if any, adopted at such meetings; and all transactions and agreements between and among the Authority, the County and the Trustee have reflected and will reflect the separate legal existence of each entity and have been and will be formally documented in writing; and (b) Neither the Authority nor the County has commingled or will commingle any of its assets, funds or liabilities with the assets, funds or liabilities of any other person or entity. Each of them has conducted and will conduct all business between itself and third parties in its own name and separate and distinct from the other.

Bond Proceeds Fund. A Bond Proceeds Fund is established to be held by the Trustee in trust for the benefit of the Authority and the County. The Beneficiaries shall have no interest in the Bond Proceeds Fund or any amounts from time to time on deposit in it. Money shall be deposited therein as provided in the Indenture. The money and investments in the Bond Proceeds Fund shall be applied at the direction of the Authority as described below.

The Trustee shall pay from the Bond Proceeds Fund the Costs of Issuance that are approved by the Authority, and except as otherwise directed by the Authority in accordance with this Agreement, disburse funds to the County upon receipt of a Requisition to finance, by payment or reimbursement, of Financeable Costs to the extent set forth in the related Declaration of Need or as otherwise approved by the Authority. When all Costs of Issuance and other Financeable Costs have been paid or reimbursed, as evidenced by Officer's Certificates of the Authority and the County, any excess in the Bond Proceeds Fund shall promptly be paid to the Trustee for deposit in the Redemption Account.

The Authority shall develop, and may from time to time modify, procedures for the disbursement, of money to the County from the Bond Proceeds Fund, upon terms, conditions and documentation providing for compliance with the Act, the provisions of the related Arbitrage and Use of Proceeds Certificate, the Agreement, the Indenture, and the advice of Counsel as to the application of proceeds of Tax-Exempt Notes and Tax-Exempt Bonds. The County shall apply Note and Bond proceeds made available to it only to pay such Financeable Costs as have been included in a Declaration of Need previously approved by the Authority and for which a Requisition in proper form has been submitted. The County shall apply such proceeds to pay such Financeable Costs under contracts awarded by the County or to make a contribution of such proceeds as County funds to another entity for the payment or reimbursement of such Financeable Costs.

To the extent provided in any applicable Supplemental Indenture, the Trustee shall, upon the direction of the Authority, pay from the Bond Proceeds Fund amounts necessary to accomplish any restructuring or refunding of the County's or the Authority's debt, as applicable, into a separate account or fund for investment in appropriate defeasance securities as provided in a Supplemental Indenture.

Money in the Bond Proceeds Fund shall be invested and reinvested at the direction of the Authority in accordance with the Act and the Indenture, consistent with the related Arbitrage and Use of Proceeds Certificate. Earnings thereon shall be transferred to the Collection Account as Revenues.

Indemnity. To the extent permitted by law, the County shall indemnify the Authority and hold it harmless against any claim, demand, action, liability, damages, cost, loss or expense (including legal fees and disbursements) that the Authority incurs arising out of or in relation to any capital project of the County or the financing of any Financeable Cost by the Authority.

Limited Purpose of Agreement. The Agreement provides for the Authority's financing of Financeable Costs. Except as specified in the Agreement, the Authority, the County, and the Trustee shall have no liability to each other or to the Beneficiaries of the Indenture for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any capital project of the County or arising out of the status of any such capital project under the State Environmental Quality Review Act or otherwise. Whether to undertake any financing, as well as the specific Financeable Costs to be paid or reimbursed by the Authority, shall be determined by the Authority, in its sole discretion, upon the request of the County as evidenced by submission to the Authority by the County of a Declaration of Need.

Covenants of the County. The County covenants with the Authority, and consents to the pledge and assignment to the Trustee of any of its covenants, that:

(A) The County will at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code; and shall execute and deliver to the Authority an Arbitrage and Use of Proceeds Certificate, as requested by the Authority or Counsel to the Authority and shall comply with the terms thereof; and no funds of the County shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in the Code and any applicable Regulations issued thereunder.

(B) The County in its papers and in the statements of its officials has referred and will refer to the Authority as a separate and distinct legal entity; and the County will take no action that is inconsistent with the Agreement and that would give any creditor of the County cause to believe either that any such obligations incurred by the County would be not only the obligation of the County, but also of the Authority, or that the County were not or would not continue to remain an entity separate and distinct from the Authority.

(C) An Authorized Officer of the County shall, not less than 60 days prior to the beginning of each County fiscal year, and as often as such Authorized Officer deems necessary but at least monthly thereafter, certify to the Authority and the Trustee the County's estimated projection of Sales Tax Revenues payable to the Authority each month during such fiscal year.

(D) The County will not exercise any right it may have to amend, modify or otherwise alter local laws imposing or relating to the Sales Tax Revenues without first requesting in writing the Authority to make the projection of Sales Tax Revenues required by the Agreement and confirming with the Authority that such exercise will not violate the County covenant contained therein and in the Act. The foregoing is not intended to limit the right of the County to adopt one or more local laws or ordinances imposing or extending the imposition of sales and use taxes.

(E) The County will at all times do and perform all acts and things permitted by law and necessary or desirable to maintain compliance with its undertakings hereunder and in connection with any financing by the Authority, including, cooperating with the Authority, its employees, consultants and underwriters, and in providing certifications and opinions requested by the Authority, and, further, providing all material disclosure for any Offering Circular of the Authority or in connection with any necessary undertaking under Securities and Exchange Commission ("SEC") Rule 15c2-12 to allow the underwriters of Authority financings to meet their obligations thereunder and under SEC Rule 10b-5.

(F) The County will comply, and will take all reasonable efforts in its power to cause any "covered organization", as such term is defined in the Act, to comply with the provisions of the Act.

(G) Except to the extent expressly identified in any such Declaration of Need, the County will not make any Declaration of Need or submit any Requisition except with respect to Financeable Costs that could be financed by the County by the issuance of its bonds or notes as of the date of such Declaration of Need or Requisition, there being in effect with respect to each capital project constituting such a Financeable Cost (i) findings or other proceedings meeting the requirements of the State Environmental Quality Review Act and (ii) all proceedings necessary under the County Charter and all other applicable State law necessary to authorize the appropriation and expenditure of County funds for such purposes, and each Declaration of Need and Requisition shall be deemed to be a representation by the County to such effect with respect to the Financeable Costs that are the subject thereof. The County shall provide to the Authority such documentation and information as requested, and in the form

requested, by the Authority from time to time in connection with Financeable Costs proposed for financing.

Statutory Pledge and Agreement (“County Covenant”). The County pledges and agrees with the Holders of the Outstanding Bonds and Notes that the County will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Holders pursuant to the Act, or in any way impair the rights and remedies of such Holders or the security for such Bonds and Notes until such Bonds and Notes, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully paid and discharged. This paragraph shall not be deemed to restrict any right the County may have to amend, modify or otherwise alter local laws imposing or relating to the Sales Tax Revenues so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration shall be not less than 200% of maximum annual debt service on all bonds, notes and other evidences of indebtedness then outstanding. Nothing in the Act or the Agreement shall be deemed to obligate the County to make additional payments or impose taxes other than those imposed pursuant to the authority of paragraph one of subdivision (a) of Section 1210 of the Tax Law of the State to satisfy the debt service obligations of the Authority.

Statutory Requirement. To the extent required by the Act, the County agrees that it shall require every contract entered into by the County, or entered into by any other entity receiving funds from the County, for projects or costs to be financed in whole or in part by the Authority to be subject to the provisions of the County Charter and other applicable laws governing contracts of the County or such entity, as the case may be.

Transfers to County; Issuance of Bonds or Notes. Subject to the provisions of the Act and the Agreement, all money received by the Authority which, together with other money available for the purposes of the Indenture, exceeds the amount determined by the Authority to be necessary for such purposes shall be transferred to the order of the County as frequently as practicable. The County acknowledges that any decision by the Authority to either (i) issue or incur its Bonds, Notes or other evidences of indebtedness from time to time, or (ii) withhold from the County or transfer to the County “transitional state aid” as such term is defined in the Act, is in the sole discretion of the Authority consistent with the Act and the Indenture.

County Acknowledgments. (a) The County acknowledges that the sections entitled “Covenants of the County” and “Statutory Pledge and Agreement” above constitute important security provisions of the Bonds and Notes, and to the fullest extent permitted by applicable Federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of, any claim to the contrary.

(b) By acknowledging that its covenants and pledge and agreement for the benefit of the Holders constitute important security provisions of the Bonds and Notes, the County also acknowledges, to the fullest extent permitted by applicable Federal and State law, that, in the event of any failure or refusal by the County to comply therewith, the Holders of the Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable Federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant to the Agreement; and to the fullest extent permitted by applicable Federal and State law, the County waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of, any claim to the effect that no such monetary damages have been suffered.

(c) The County further acknowledges that the acknowledgments and agreements described in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriters of the Authority's initial series of bonds and may further acknowledge if and the extent to which any provision of the Agreement has been amended, or any provision of a Supplemental Indenture has been included therein, as a result of the same or similar negotiations.

Remedies. If the County shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed, the Authority shall, if such default has not been cured, have the right (i) to institute any action at law or in equity deemed by the Authority to be necessary or desirable to collect any amounts then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the County under the Agreement and (ii) to withhold disbursement of any amounts from the Bond Proceeds Fund other than amounts set aside for the payment of County bonds or notes. At its election, the Authority may withhold any amounts adjudged or decreed payable to it from the Revenues as an Operating Expense.

Amendment. (A) The Agreement may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority and executed or approved by the County to the extent required by the Agreement and the Act, to add to the covenants and agreements of the County or the Authority for the benefit of the Holders or surrender or limit for the benefit of the Holders any right or power of the County or the Authority; or (2) amended by the parties with notice to the Trustee but without Bondholder or Noteholder consent to (a) cure any ambiguity or defect, (b) change any provision of the Agreement that is not pledged to the Trustee pursuant to the Indenture, or (c) add provisions that are not prejudicial to the Holders of the Bonds and Notes, including provisions that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain Outstanding or (ii) such amendment is consented to by Holders in accordance with the provisions of the Agreement.

(B) Except as described in the foregoing paragraph (A), the Agreement may be amended only by the County and the Authority with the written consent of a Majority in Interest of the Subordinate Bonds, Senior Bonds and Notes (acting as three separate classes) Outstanding at the effective date thereof and affected thereby; but only with the unanimous written consent of the affected Holders to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment.

(C) Any amendment of the Agreement shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds and Tax-Exempt Notes from gross income for federal income tax purposes.

Beneficiaries. The Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the County, the Authority, and to the extent specified in the Agreement and the Indenture, the Holders of Notes and Senior Bonds and the other Beneficiaries.

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APPENDIX C

INDEPENDENT AUDITORS' REPORT

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***Nassau County Interim
Finance Authority***

Independent Auditors' Report

Financial Statements

Period June 23, 2000 to December 31, 2000

NASSAU COUNTY INTERIM FINANCE AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	C-1
FINANCIAL STATEMENTS:	
Balance Sheet as of December 31, 2000	C-2
Statement of Revenues, Expenditures and Changes in Fund Balances for the Period June 23, 2000 to December 31, 2000	C-3
Notes to Financial Statements	C-4 - C-11



INDEPENDENT AUDITORS' REPORT

To the Directors
Nassau County Interim Finance Authority

We have audited the accompanying general purpose financial statements of the Nassau County Interim Finance Authority ("NIFA"), as of December 31, 2000, and for the period June 23, 2000 (date of establishment) to December 31, 2000, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of NIFA. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of NIFA, at December 31, 2000, and the results of its operations for the period June 23, 2000 (date of establishment) to December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

March 5, 2001

NASSAU COUNTY INTERIM FINANCE AUTHORITY

BALANCE SHEET

DECEMBER 31, 2000

(Dollars in Thousands)

	Governmental Fund Types				Account Group	
	General	Special Revenue	Debt Service	Capital Projects	General Long-Term Obligations	Total (Memorandum Only)
ASSETS AND OTHER DEBITS						
Cash and cash equivalents	\$ 187,089	\$ 5,000	\$ -	\$ 144,812	\$ -	\$ 336,901
Investments	-	-	2,696	31,254	-	33,950
Investments - Nassau County						
Tax Anticipation Notes (TAN)	224,360	-	-	-	-	224,360
Sales tax receivable	87,244	-	-	-	-	87,244
Interest receivable	259	-	-	421	-	680
Due from general fund	-	-	1,884	-	-	1,884
Due from capital projects fund	-	-	163	-	-	163
Other assets	15	-	-	-	-	15
Amount available in debt service fund						
for principal retirement	-	-	-	-	172	172
Amount to be provided for general long-term obligations	-	-	-	-	254,674	254,674
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 498,967</u>	<u>\$ 5,000</u>	<u>\$ 4,743</u>	<u>\$ 176,487</u>	<u>\$ 254,846</u>	<u>\$ 940,043</u>
LIABILITIES AND FUND BALANCES						
Accrued liabilities	\$ 287	\$ -	\$ 4,571	\$ 13	\$ -	\$ 4,871
Bonds payable	-	-	-	-	254,720	254,720
Bond Anticipation Notes (BAN) payable	224,360	-	-	-	-	224,360
Revenue Anticipation Notes (RAN) withholding payable	253,214	-	-	-	-	253,214
Due to Nassau County - Sales tax	18,738	-	-	-	-	18,738
Due to Nassau County - Interest	-	-	-	258	-	258
Deferred revenue - Tax certiorari process reform	-	5,000	-	-	-	5,000
Due to debt service fund	1,884	-	-	163	-	2,047
Accrued vacation and sick pay	-	-	-	-	126	126
Total liabilities	<u>498,483</u>	<u>5,000</u>	<u>4,571</u>	<u>434</u>	<u>254,846</u>	<u>763,334</u>
FUND BALANCES - Unreserved	<u>484</u>	<u>-</u>	<u>172</u>	<u>176,053</u>	<u>-</u>	<u>176,709</u>
Total fund balances	<u>484</u>	<u>-</u>	<u>172</u>	<u>176,053</u>	<u>-</u>	<u>176,709</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 498,967</u>	<u>\$ 5,000</u>	<u>\$ 4,743</u>	<u>\$ 176,487</u>	<u>\$ 254,846</u>	<u>\$ 940,043</u>

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES PERIOD JUNE 23, 2000 TO DECEMBER 31, 2000 (Dollars in Thousands)

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES					
Sales tax	\$ 529,143	\$ -	\$ -	\$ -	\$ 529,143
State aid	-	25,000	-	-	25,000
Interest income, net	1,704	-	-	2,119	3,823
Unrealized gain on investments	-	-	9	105	114
Total revenues	530,847	25,000	9	2,224	558,080
OTHER FINANCING SOURCES					
Principal amount of bonds issued	-	-	-	254,720	254,720
Other sources	190	-	-	917	1,107
Operating transfers in	-	-	4,734	-	4,734
Total revenues and other financing sources	531,037	25,000	4,743	257,861	818,641
EXPENDITURES					
Current:					
General and administrative	322	-	-	-	322
Cost of issuances - Notes/bonds	191	-	-	601	792
Distribution to Nassau County for financeable costs	-	-	-	79,088	79,088
Distribution to Nassau County for general operations	-	25,000	-	1,714	26,714
Total current expenditures	513	25,000	-	81,403	106,916
Debt service	-	-	4,571	-	4,571
Total expenditures	513	25,000	4,571	81,403	111,487
OTHER FINANCING USES					
Transfers to Nassau County - Sales tax	272,497	-	-	-	272,497
Transfers to RAN Withholding Account:					
Sales tax	251,925	-	-	-	251,925
Interest	1,289	-	-	-	1,289
Operating transfers out	4,329	-	-	405	4,734
Total expenditures and other financing uses	530,553	25,000	4,571	81,808	641,932
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	484	-	172	176,053	176,709
FUND BALANCES, BEGINNING OF PERIOD	-	-	-	-	-
FUND BALANCES, END OF PERIOD	\$ 484	\$ -	\$ 172	\$ 176,053	\$ 176,709

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

PERIOD JUNE 23, 2000 TO DECEMBER 31, 2000

1. ORGANIZATION

The Nassau County Interim Finance Authority (the “Authority”) is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as may be amended from time to time (the “Act”). The Act became effective June 23, 2000. Although legally separate and independent of Nassau County (the “County”), the Authority is a component unit of the County for County financial reporting purposes and, accordingly, is included in the County’s financial statements.

The Authority is governed by seven directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors.

The Authority has power under the Act to monitor and oversee the finances of Nassau County, and upon declaration of a “Control Period” as defined in the Act, additional oversight authority. The Authority is also empowered to issue its bonds and notes for various County purposes, defined in the Act as “Financeable Costs.” The Act authorizes the issuance of bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, the Authority may issue bonds up to the limits as currently set forth in the Act, exclusive of any bonds issued to finance reserves, capitalized interest or costs of issuing such obligations, to refinance the County’s indebtedness (up to \$415,000,000) and tax certiorari judgments and settlements of the County (up to \$400,000,000 if the proceeding commenced before June 1, 2000 and up to \$100,000,000 in each ensuing County fiscal year 2001 to 2004, with respect to proceedings commenced on or after such date). The Act currently provides that the Authority may not issue bonds after 2004, other than refunding bonds. No bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issuance.

Revenues of the Authority (“Revenues”) consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County (“Sales Tax Revenues”), and investment earnings on money and investments on deposit in various Authority accounts. Sales Tax Revenues are collected by the State Comptroller for transfer to the Authority and are not subject to appropriation by the State or County. Revenues of the Authority that are not required to pay debt service, operating expenses or other costs of the Authority are payable to the County as frequently as practicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority follows the modified accrual basis of accounting. It recognizes revenue when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the

current period. Expenditures are accrued when the related liability is incurred, except for unmatured debt service on bonds payable, which is recognized when due (see Note 6).

The Authority uses four governmental fund groups and an account group to report its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions and activities. The General Fund accounts for sales tax and interest revenues received by the Authority and for general operating expenses of the Authority. Short term borrowings of the Authority are also accounted for, as applicable, in the General Fund. The Special Revenue Fund accounts for Transitional State Aid, as defined in the Act, which includes assistance for general County needs and aid targeted to assist the County in streamlining its tax certiorari processing. Both types of aid are provided to the County through the Authority. The Debt Service Fund accounts for the accumulation of resources for payment of principal and interest on the Authority's bonds. Only that portion of bonds payable expected to be financed from expendable available resources is reported as a liability of the Debt Service Fund. The Capital Projects Fund accounts for resources to be transferred to the County for its Financeable Costs. The General Long Term Obligations Account Group accounts for long term bonds payable which at maturity will be paid by the Debt Service Fund and for other estimated liabilities arising from accumulated unpaid vacation, holiday and sick leave of the Authority's employees.

The Authority receives Sales Tax Revenues several times each month, and receives interest earnings from time to time as investments mature. Funds for debt service are required to be set aside from revenues on a monthly basis, and the Authority also deducts, as necessary, amounts which in its judgment are required for Authority operations and operating reserves. Residual Sales Tax Revenues and investment earnings are then transferred to the County either as cash or through deposits by the Authority to its "County of Nassau Revenue Anticipation Note Withholding Fund," as established pursuant to the Act (see Note 9).

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

3. TRANSACTIONS WITH AND ON BEHALF OF NASSAU COUNTY

The Act and other legal documents of the Authority establish various financial relationships between the Authority and the County. The resulting financial transactions between the Authority and the County include the receipt and use of Revenues as well as Authority debt issuance to fund Financeable Costs of the County. Each of these are more fully described and illustrated in charts below.

Receipt and Use of Revenues (not including the Special Revenue Fund) consist of:

- The receipt and remittance to the County of Sales Tax Revenues (see Notes 1, 2 and 5);
- The withholding by the Authority of Sales Tax Revenues that would otherwise be remitted to the County, the deposit of those monies into the County of Nassau Revenue Anticipation Note ("RAN") Withholding Fund, and the retention in that fund of earnings thereon (see Note 9); and
- The remittance to the County of earnings on various other funds held by or on behalf of the Authority, to the extent that those earnings are not required for the payment of Authority debt service or expenses.

The following chart summarizes the revenue flows resulting from the financial relationships discussed above:

Period Ended December 31, 2000	Dollars in Thousands		
	Sales Tax Revenues	Earnings on RAN Withholding Acct	Earnings on Other Funds
Inflows:			
Income received prior to December 31, 2000	\$ 441,899	\$ 1,033	\$ 2,110
Additional income accrued to FY 2000	<u>87,244</u>	<u>256</u>	<u>424</u>
Total for year ended December 31, 2000	<u>\$ 529,143</u>	<u>\$ 1,289</u>	<u>\$ 2,534</u>
Outflows:			
Deposited for Authority debt service	\$ 2,445	\$ -	\$ 242
Accrued for Authority debt service	<u>1,884</u>	<u>-</u>	<u>163</u>
Total applied to Authority debt service	<u>\$ 4,329</u>	<u>\$ -</u>	<u>\$ 405</u>
Total applied to Authority operating expense/reserve	<u>\$ 392</u>	<u>\$ -</u>	<u>\$ 415</u>
Deposited to RAN Withholding Account	\$ 185,303	\$ 1,033	\$ -
Accrued for RAN Withholding Account	<u>66,622</u>	<u>256</u>	<u>-</u>
Total applied to RAN Withholding	<u>\$ 251,925</u>	<u>\$ 1,289</u>	<u>\$ -</u>
Transferred to County prior to December 31, 2000	\$ 253,759	\$ -	\$ 1,456
Accrued to County	<u>18,738</u>	<u>-</u>	<u>258</u>
Total transferred to County	<u>\$ 272,497</u>	<u>\$ -</u>	<u>\$ 1,714</u>

Borrowings for Financeable Costs consist of:

- The sale of Bonds by the Authority to finance Financeable Costs of the County, and the transfer of Bond proceeds to the County upon County requisition (see Notes 1 and 6); and
- The sale of Bond Anticipation Notes by the Authority to finance Financeable Costs of the County, and the transfer of Bond Anticipation Note proceeds to the County upon County requisition and pursuant to a purchase contract between the Authority and the County, whereby the Authority privately purchased Tax Anticipation Notes of the County with the Bond Anticipation Note proceeds (see Notes 1, 4 and 7).

The following chart summarizes these debt-related financial flows from the Authority to the County:

Period Ended December 31, 2000	Dollars in Thousands	
	Sales Tax Secured Bonds, Series 2000A	Bond Anticipation Notes, Series 2000A-1
Par amount of issue	<u>\$ 254,720</u>	<u>\$ 224,360</u>
Net proceeds to Authority	\$ 255,637	\$ 225,390
Reserved by Authority for costs of issuance	<u>601</u>	<u>190</u>
Net proceeds available to County upon requisition	255,036	225,200
Requisitioned in year ended December 31, 2000	<u>79,088</u>	<u>225,200</u>
Balance available for County financeable costs	<u>\$ 175,948</u>	<u>\$ -</u>

4. CASH AND INVESTMENTS

The Authority invests in accordance with the Act, as well as other applicable rules and regulations, the Indenture, and Authority Investment Guidelines adopted by the Authority Directors in November 2000. As of December 31, 2000 the Authority held cash, collateralized Certificates of Deposit, Treasury Bills, Federal National Mortgage Association Discount Notes and Federal Home Loan Mortgage Corporation Discount Notes. All cash deposits of Authority funds (as distinct from Bond Proceeds, which are pledged to the bondholders until expended) are required to be fully collateralized or insured. Collateral for the Authority cash and certificates of deposit, which is required to be 102 percent of the amount of the cash or certificate of deposit amount and to be held by a third party custodian, may consist of the following: U.S. government and agency obligations, obligations of New York State or New York municipalities which under specific State statute may be accepted as security for deposit of public moneys, other state and local governmental obligations rated in one of the three highest categories by at least one nationally recognized rating organization, obligations of domestic corporations rated in one of the two highest categories by at least one nationally recognized rating organization, and any mortgage related securities which may be purchased by banks under the limitations established by bank regulatory authorities.

The Authority also holds Nassau County Tax Anticipation Notes, Series 2000A, 2000B and 2000C (together, the "TANs"), in the aggregate principal amount of \$224,360,000 and maturing in April, August and November 2001, respectively. The TANs were sold to the Authority at private sale, in connection with the Authority's Bond Anticipation Note issuance in December 2000 (see Note 7). The TANs are not considered to be marketable securities for financial reporting purposes.

The following table summarizes the Authority's cash and investments as of December 31, 2000. Short-term investments with maturities of 90 days or less, and non-marketable securities, are recorded at cost. Marketable securities with maturities longer than 90 days are recorded at fair value and all investment income, including changes in fair value, is reported as revenue on the Statement of Revenue, Expenditures and Changes in Fund Balance. Fair value is determined using market values at December 31, 2000.

On the Balance Sheet, the accrual of interest on short term investments is reported as Interest Receivable, and the unrealized change in fair value of marketable securities with maturities longer than 90 days is reflected in the amount of the investment asset.

	Dollars in Thousands	
	Held by Authority	Held by Trustee
Cash	\$ 19	\$ 185
Certificates of Deposit (maturities less than 90 days)	41,886	-
U.S. government and agency discount notes (maturities less than 90 days)	<u>149,999</u>	<u>144,812</u>
Total cash and cash equivalents	<u>191,904</u>	<u>144,997</u>
Nassau County TANs	<u>-</u>	<u>224,360</u>
Total non-marketable securities	<u>-</u>	<u>224,360</u>
U.S. government and agency discount notes (maturities greater than 90 days)	<u>-</u>	<u>33,950</u>
Total marketable securities	<u>-</u>	<u>33,950</u>
Total cash and investments	<u>\$ 191,904</u>	<u>\$ 403,307</u>

5. SALES TAX REVENUE RECEIVABLE

Sales Tax Revenues are reported on a modified accrual basis. As such, Sales Tax Revenues received after December 31, 2000 but attributable to Fiscal Year 2000 are shown on the Balance Sheet as Sales Tax Receivable. On the Statement of Revenues, Expenditures and Changes in Fund Balance, applicable portions of these funds have been included as Transfers to Nassau County, Transfers to the RAN Withholding Account, and Debt Service expense.

6. BONDS PAYABLE

The Authority issued \$254,720,000 of Sales Tax Secured Bonds, Series 2000A (the "Bonds"), on October 25, 2000 and \$224,360,000 of Bond Anticipation Notes on December 22, 2000 (see Note 7). The Bonds were issued pursuant to an Indenture (the "Indenture") between the Authority and the United States Trust Company of New York (the "Trustee"), under which the Authority has pledged its right, title and interest in the Revenues of the Authority to secure repayment of Authority debt. The Act provides that the Authority's pledge of its Revenues represents a perfected first security interest on behalf of holders of its bonds. The lien of the Indenture on the Revenues for the security of Authority bonds is prior to all other liens thereon. The Authority does not have any significant assets or sources of funds other than Sales Tax Revenues and amounts on deposit pursuant to the Indenture. The Authority has no independent taxing power.

Bonds are recorded at the principal amount outstanding and consist of the following:

	Dollars in Thousands		Balance at December 31, 2000
	Issued	Retired	
Sales Tax Secured Bonds, Series 2000A 4.50% to 5.625% Serial and term bonds due 2002 to 2020	<u>\$ 254,720</u>	<u>\$ -</u>	<u>\$ 254,720</u>

Debt service to maturity as of December 31, 2000 is as follows:

Year Ended December 31,	Dollars in Thousands		
	Principal	Interest	Total
2001	\$ -	\$ 14,316	\$ 14,316
2002	6,980	13,563	20,543
2003	7,290	13,249	20,539
2004	7,625	12,917	20,542
2005	9,750	12,566	22,316
Thereafter	223,075	111,698	334,773

Interest on the Authority's Bonds is payable on May 15 and November 15 of each year, and principal is payable on November 15. The first principal payment for the Series 2000A Bonds is due on November 15, 2002. A debt service account has been established under the Indenture to provide for the payment of interest on and principal of Bonds outstanding. The Trustee makes monthly deposits to the debt service account in the amount of debt service accrued through the end of that month, essentially one-sixth of the next interest payment and one-twelfth of the next principal payment. Because of this monthly deposit requirement, the amount accrued for debt service in the Authority's financial statements in any year will not be the same as the debt service on the bonds paid to bondholders in that year.

As of December 31, 2000, the Authority maintained its required debt service account in the amount of \$2,696,486 (fair value), all of which was for payment of interest on May 15, 2001.

7. BOND ANTICIPATION NOTES PAYABLE

On December 22, 2000, the Authority issued \$224,360,000 Bond Anticipation Notes, Series 2000A-1 (the "Notes"). The Notes were issued to finance cash flow needs of Nassau County pursuant to the Act and the Indenture. Bond anticipation notes payable are recorded at the principal amount outstanding and consist of the following:

	Dollars in Thousands		Balance at December 31, 2000
	Issued	Retired	
Bond Anticipation Notes, Series 2000A-1	\$ 224,360	\$ -	\$ 224,360

The Notes bear interest at the rate of 5 percent per annum, pay interest only at maturity, and mature in the following amounts (in thousands) at the following dates:

May 11, 2001	\$ 85,000
September 28, 2001	120,000
December 19, 2001	19,360

The Series 2000A-1 Notes are legally payable from the proceeds of future Authority bonds or renewal notes, and such future issuance has been authorized. However, the Authority is permitted to apply certain other funds to the repayment of the Notes, and plans to repay the Notes as follows. Proceeds of the Authority's Note sale were used to purchase general obligation tax anticipation notes of the County (the "TANs"), which are in principal amounts and bear interest rates sufficient to provide, when due, all amounts payable on the Authority Notes (see Note 4). The County will pay principal and interest on the TANs to the Trustee, which will use the funds to pay principal and interest on the Notes. The TANs are not pledged to the holders of the Notes, but the Authority has covenanted that to the extent it receives payments on the TANs, it will apply such payments to the payment of the Notes.

8. PENSION LIABILITY

Eligible Authority employees participate in the New York State and Local Employees' Retirement System and the Public Employees Group Life Insurance Plan (together, the "System"), a cost-sharing multiple-employer defined benefit retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as the sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

The System is noncontributory for employees except for employees who joined after July 27, 1976 and have less than ten years of service, who contribute 3 percent of their salary. Employer contribution rates are determined by the Comptroller. Under the Authority of the NYSRSSL, the Comptroller certifies annually the rates, expressed as proportions of the payroll of members, which shall be used in computing the contributions required to be made by the employer to the pension accumulation fund.

As of December 31, 2000, the Authority has not been billed for its employer contribution to the System. The average employer contribution rate for the State fiscal year ended March 31, 2000 was approximately 0.9 percent of payroll. At that rate, the Authority's accrued pension liability for the year ended December 31, 2000 would be \$1,523.

9. COUNTY OF NASSAU REVENUE ANTICIPATION NOTE WITHHOLDING ACCOUNT

In June 2000, the County issued \$245,000,000 County of Nassau Revenue Anticipation Notes (the "RANs") as a general obligation of the County, issued in anticipation of the receipt of sales taxes with respect to the County's fiscal year ended December 31, 2000. The Act required the Authority to set aside Sales Tax Revenues attributable to that fiscal year, after making provision for debt and operating expenses of the Authority, in an amount sufficient to pay principal and interest on the RANs at maturity. The withheld funds were credited to an Authority "County of Nassau Revenue Anticipation Note

Withholding Fund” (the “RAN Withholding Fund”) held separately from funds of the Authority. Interest earned on the RAN Withholding Fund is retained in the fund and will be applied to pay principal and interest on the RANs at maturity. As of December 31, 2000, \$185,303,224 had been retained and \$1,032,465 of interest earned, for a total RAN Withholding Fund balance of \$186,335,689. From Sales Tax Revenues received after December 31, 2000 but accrued to the year ended December 31, 2000, an additional \$66,621,872 was deposited to the RAN Withholding Fund, and from interest accrued to the year ended December 31, 2000, \$255,817 was deposited. These monies, together with future interest earnings thereon, should be sufficient to pay in full, when due, the principal of and interest on the RANs.

10. COMMITMENTS AND CONTINGENCIES

The Authority is not a defendant in any litigation as of December 31, 2000.

Authority employees are entitled to accumulate unused vacation and holiday leave, and to be paid for that leave, up to amounts specified by the Authority, upon separation. At current salary levels, the Authority’s liability for payment of this accumulation is \$46,372, which includes the employers’ share of taxes and other withholdings. Authority employees are permitted to accrue unused sick leave up to amounts specified by the Authority and, upon certain conditions, apply the salary value of the leave upon retirement to the cost of the retiree’s share of his or her health insurance premium. At current salary levels, the Authority’s liability for payment of this accumulation is \$79,379, which includes only the salary value of the time accumulated. Authority employees who were previously employed by the State or a State agency or authority were permitted to transfer leave balances to the Authority. The value of these transferred balances is included in the foregoing amounts. The value of accrued unused leave is included in the General Long Term Obligations Account Group.

* * * * *

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APPENDIX D

FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes in definitive form, Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Authority, proposes to render its final approving opinion in substantially the following form:

[Date of Closing]

NASSAU COUNTY INTERIM
FINANCE AUTHORITY

Ladies and Gentlemen:

We have examined a record of proceedings of the Nassau County Interim Finance Authority (the “Authority”) relating to the issuance of \$125,895,000 principal amount of Nassau County Interim Finance Authority Bond Anticipation Notes, Series 2001B-1 and \$159,150,000 principal amount of Bond Anticipation Notes, Series 2001B-2 (collectively, the “Notes”), as more particularly described below. The Notes are dated, bear interest, mature and are secured as set forth in the Indenture (hereinafter defined). All terms defined in the Indenture and used herein shall have the meanings assigned in the Indenture, except where the context hereof otherwise requires.

The Notes are issued as bond anticipation notes under the Indenture in anticipation of a series of Senior Bonds designated Sales Tax Secured Bonds, Series Two, authorized by the Authority in the principal amount of up to \$350,000,000 (the “Series Two Bonds”, together with any Senior Bonds heretofore or hereafter issued the “Bonds”). The Authority is authorized to issue renewal notes and the Series Two Bonds to retire the Notes on the terms and conditions set forth in the Indenture and all such Bonds shall be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Indenture.

The County of Nassau, New York (the “County”) has requested the Authority to undertake the financing of certain “Financeable Costs” (as defined in the Act), and the Authority and the County have entered into a Financing Agreement dated as of October 1, 2000 (the “Agreement”) and such Agreement, in accordance with the Act, subject to a reservation of the Authority’s sole right to enforce certain provisions thereof, has been pledged by the Authority to secure the Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Authority, dated the date hereof (the “Arbitrage and Use of Proceeds Certificate”), in which the Authority and the County have made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Notes, including but not limited to certain representations with respect to the use of the proceeds of the Notes and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the Authority and the County to take certain actions necessary to cause interest on the Notes to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. The Authority has covenanted in the

Indenture and the County has covenanted in the Agreement to maintain the exclusion of the interest on the Notes from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In rendering the opinion in paragraph 11 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Notes from gross income for federal income tax purposes under Section 103 of the Code and (ii) compliance by the Authority and the County with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

We have also examined one of said Notes as executed, and, in our opinion, the form of said Note and its execution are regular and proper.

We are of the opinion that:

1. The Authority is a duly organized and validly existing public benefit corporation under the Constitution and laws of the State of New York, and such proceedings show lawful authority for the issuance and sale of said Notes pursuant to the Nassau County Interim Finance Authority Act, Title 1 of Article 10-D of the Public Authorities Law, constituting Chapter 43-A of the Consolidated Laws of the State of New York, as supplemented by Chapter 179 of the Laws of 2000 (the "Act"), and the Indenture between the Authority and The Bank of New York, as successor trustee to United States Trust Company of New York, as Trustee, dated as of October 1, 2000, as supplemented, including as supplemented by the Fifth Supplemental Indenture, dated as of December 1, 2001 (such Indenture as from time to time amended or supplemented by said and other Supplemental Indentures being herein called the "Indenture").

2. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matter of this opinion letter. The Notes have been duly authorized, executed and delivered by the Authority and are valid and binding obligations of the Authority payable from the proceeds of the Series Two Bonds (the proceeds of which are pledged to retire the Notes and which pledge shall have a priority over any other pledge of such proceeds created by the Indenture) or renewal notes, and from the Revenues (hereinafter defined) subordinate to payment of Debt Service, Subordinate Bonds and Notes and Operating Expenses. The Notes do not constitute a debt of the State or the County, and neither the State nor the County shall be liable thereon, nor shall the Notes be payable out of any funds other than those of the Authority. The Authority has duly authorized the issuance of renewal notes and the Series Two Bonds.

3. The Act validly provides for (a) the payment to the Authority of sales and compensating use tax net collections paid or payable to the Authority pursuant to §1261 of the Tax Law or a successor statute (the "Sales Tax Revenues"), (b) the Authority's pledge to the Trustee of the Sales Tax Revenues, the Accounts and the money and investments on deposit therein (collectively, the "Revenues"), and (c) the application of proceeds of the Notes to finance Financeable Costs.

4. The Sales Tax Revenues are subject neither to appropriation by the County or the State, nor to prior claims in favor of other obligations or purposes of the County or the State except as specified in §1261 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the Sales Tax Revenues would not constitute revenues applicable to the General Fund of the State; hence Article 7, Section 16 of the State Constitution does not mandate such money to be set apart by the State Comptroller for the payment of State obligations.

5. The Indenture (a) has been duly and lawfully authorized, executed and delivered by the Authority, (b) creates the valid pledge of Revenues and other collateral that it purports to create and (c) is a valid and binding agreement, enforceable in accordance with its terms, of the Authority, and to the extent specified in the Act, the State. The lien of the Indenture on the Revenues for the security of the Notes is subordinate to the lien for Debt Service. The pledge of Revenues and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties' notice thereof.

6. The Act does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the taxes payable to the Authority pursuant to §1261 of the Tax Law or fees, or appropriations relating thereto, nor does it obligate the State to make any payments not specified in the Act or impose any taxes to satisfy the obligations of the Authority.

7. The Agreement has been duly authorized, executed and delivered by the Authority and assuming due and proper authorization, execution and delivery by the County, constitutes a legal, valid and binding agreement of the parties (including with respect to the County, its covenant contained in Section 4.02), enforceable in accordance with its terms.

8. Pursuant to the Act, the State Comptroller shall pay the Sales Tax Revenues to the Trustee, to be applied first pursuant to the Authority's contracts with the Holders of the Bonds and Notes, then to pay the Authority's operating expenses, and then pursuant to the Authority's agreements with the County, which shall require the Authority to transfer the balance of such taxes to the County as frequently as practicable; all of which is provided for in the Indenture and the Agreement.

9. The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the "Bankruptcy Code") of the United States Code. Pursuant to the Act, upon issuance of the Bonds or Notes and so long as any Bonds or Notes are Outstanding, neither the County nor any "covered organization" (as defined in the Act) is authorized to file a petition for protection from its creditors under either the Bankruptcy Code or the laws of the State.

10. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery of the Notes.

11. Under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Under the Code, interest on the Notes is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax that may be imposed with respect to such corporations by the Code.

12. Under the Act, interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

Except as stated in paragraphs 11 and 12 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Notes or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Notes, or under State of New York and local tax law.

The rights of the Holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable and except as specifically stated above, and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Notes.

This opinion is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

TABLE OF CONTENTS

SUMMARY OF TERMS	1
SECTION I: INTRODUCTION	7
SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES	8
General	8
Sales Tax Revenues	9
Authority Bonds	12
Additional Notes and Bonds	13
Servicing—Sales Tax Collection	14
Application of Revenues	15
Retention Procedures	17
Agreements of the State and the County	17
Certain Other Payments	18
SECTION III: THE NOTES	18
General	18
Redemption	19
Estimated Sources and Uses of Funds	19
Additional Notes	19
Book-Entry Only System	19
Other Information	21
SECTION IV: THE AUTHORITY	22
Purpose and Operations	22
Directors and Management	22
Financing Agreement	23
Authority Monitoring and Control Functions ...	23
SECTION V: NO LITIGATION	24
SECTION VI: TAX MATTERS	24
General	24
Note Premium	25
SECTION VII: RATINGS	26
SECTION VIII: UNDERWRITING	26
SECTION IX: APPROVAL OF LEGALITY	26
SECTION X: FINANCIAL STATEMENTS	26
SECTION XI: CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12	26
SECTION XII: LEGAL INVESTMENT	27
SECTION XIII: TRUSTEE	28
SECTION XIV: MISCELLANEOUS	28
APPENDIX A—ECONOMIC AND DEMOGRAPHIC STATISTICS	A-1
APPENDIX B—SUMMARY OF INDENTURE AND AGREEMENT	B-1
APPENDIX C—INDEPENDENT AUDITORS’ REPORT	C-1
APPENDIX D—FORM OF BOND COUNSEL OPINION	D-1

NASSAU COUNTY INTERIM FINANCE AUTHORITY

\$125,895,000
Bond Anticipation Notes,
Series 2001B-1

\$159,150,000
Bond Anticipation Notes,
Series 2001B-2

OFFERING CIRCULAR

December 13, 2001
