

Operator: Greetings, and welcome to the Dormitory Authority's Auction Rate Securities Investors and Research Analyst Teleconference.

At this time, all participants are in a listen-only mode. And a brief question and answer session will follow the formal presentation.

If anyone should require operator assistance during the conference, please press star, zero, on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. David Brown, Executive Director.

Thank you, Mr. Brown. You may now begin.

Mr. David Brown: Good morning, everyone, and thank you very much for participating in this call.

We have some important news that we want to tell you about what we're doing to, you know, help our clients navigate through the rough weather that we're seeing in the Auction Rate Bond market.

And what we're going to do is talk for about 20 minutes, try and get through a fair amount of material, and then, turn to your questions. And we're very eager to hear all of those.

In a nutshell, here at the Dormitory Authority, we've been doing two things.

First, we're helping our clients chart a course of action, in some cases, one that's going to get them out of these bonds, and others, we're changing the mode of the bond or staying in the bond. But, we have a number of private clients who are in these securities,

and we've been working very closely with each of them as they try and assess the situation and figure out what the rational best course of action is for them.

And then, second, we're trying to get the auctions, themselves, to work better. We're trying to get more investors to look at the credit quality of these Dormitory Authority Bonds. And, you know, I believe that they have very attractive yields, relative to comparable bonds that you would see outside of the auction market.

So, we're trying to get the auctions, themselves, to work better for the time period when borrowers are still in these bonds. And as I say, some of them may be staying in these bonds.

Let me tell you upfront that the subject of this call is the Dormitory Authority's Auction Rate Securities that are issued for private not-for-profit clients, and not our state-supported debt. The state is working with the other public authorities to make a comprehensive solution for state-supported debt, like, Q&E debt or the Department of Mental Health Program.

What we are talking about are the Dormitory Authority's current private borrowers. And alphabetically, they are Brooklyn Law School, Cornell University, The Culinary Institute of America, Fordham University, Memorial Sloan-Kettering Cancer Center, Mercy Medical Center, New York University, Rockefeller University, St. John's University, Teacher's College, and the University of Rochester.

Here's what we've been doing over the last two weeks or so. We have been in very close contact with our clients, as I said before. We're working on assessing what their best options are, whether that's staying where they are or changing the mode of their debt, or refunding and redeeming.

We have formed a taskforce here at the Dormitory Authority including our outside advisor, Joe Fichera from Saber Partners, who will be talking shortly. And we're also coordinating in a larger state taskforce that's been organized by the Department of Budget to look at some of the state-supported debt issues.

We are on the phone every day with the investment banks that are brokers for these auctions. We're pressing them to improve the liquidity in these auctions by getting additional buyers.

I mean, after all, these auctions have been failing not because of credit quality, but because of a lack of buyers or a lack of liquidity. And we are keeping an eye on how they are performing in promoting these auctions.

No one--none of these banks, these--by and large, these invest--the brokers of the auctions are, by and large, the investment banks that underwrote the initial issuances of bonds. And no investment bank has a lock on our business.

We're looking at the performance of the investment banks in their role as brokers very carefully, and we are going to keep it in mind going forward as we allocate future investment banking business. And certainly, we're going to recognize those investment banks that perform really well as brokers.

I have to say, candidly, that so far, this has not been the investment banks' finest hour. So, we are looking for improvement there and monitoring the situation very closely on a day-to-day basis.

We are trying to increase the number of brokers that participate in these auctions. And there is some complexity to that, but we're--it is our hope that new brokers will get into this market. And we certainly would recognize the initiative that new brokers would

show in coming in, as we think about adding new underwriters to our list. We're in the process of issuing a new RFP for underwriters. So, we'd be very pleased to see new firms coming in and adding liquidity here.

We, ourselves, as the Dormitory Authority, are adding something else that make markets work, and that is transparency.

We are posting information on our Web site, and we just got it up this morning, that shows the bond issues that I just listed for you, their credits, both the credits of the underlying issuer, but the credits of monoline insurers. We show their most recent rates that they've set at in the auctions, which, as I mentioned earlier, we believe are attractive. And it gives--we give contact information for who the brokers are so that those who are interesting in getting involved and getting some of these securities know where they should call.

We are hoping to add additional information in the coming days about how the auctions are proceeding. We--the Dormitory Authority, you know, is a long-standing brand name in the market. We've been in this business for six decades. We have always taken a leadership role in providing accurate and timely information and acting in a transparent manner. And we want to be the leader in providing even greater transparency regarding our auctions in this time of dislocation.

As I've said before, I believe that our Auction Rate Securities offer very attractive yields. And I invite you all to look at these credits and go to our Web site--look at the credits. They speak for themselves. Look at the names of these borrowers. Look at the yields that they're currently paying. And then, make a decision.

Now, I'm going to turn the call over to Portia Lee, who is our Managing Director of Public Finance and Portfolio Monitoring. She's going to discuss our efforts in some more detail.

Portia joined DASNY last year after working as a Senior Investment Officer at the New York State Common Retirement Fund, and Vice President and Senior Credit Officer at Moody's Investors Service.

Portia?

Ms. Portia Lee: Thank you, David.

I wanted to give a bit of background information on the Dormitory Authority, its auctions and the steps that we're taking to provide greater transparency on the auctions for our private not-for-profit borrowers.

The Dormitory Authority is a conduit issuer. We issue bonds on behalf of numerous not-for-profit institutions, including colleges, universities, hospitals and healthcare institutions that have credit characteristics specific to those individual institutions.

The Authority issues approximately 4 to \$5 billion in bonds each year and has approximately \$35 billion in bonds outstanding. About half of the setup [unintelligible] is associated with private borrowers.

DASNY's one of the largest conduit issuers in the country. Year-in and year-out, we typically issue in large size. We're one of the top issuers of municipal bonds in the country, and we're generally very liquid in the market.

To be eligible to issue bonds through the Dormitory Authority, each private client borrower must go through a detailed and transparent approval process. The Dormitory

Authority also monitors the credit of each of the borrowers that have sold debt through us.

And as David had mentioned earlier, we've reached out to all of our private clients affected by the dislocation in the Auction Rate market.

Our current portfolio of Auction Rate Securities for private clients includes 11 different borrowers with approximately 1.3 billion in bonds outstanding. The Dormitory Authority has approximately 30 auctions for securities occurring each week with a volume of over \$1 billion. We also have a limited number of 14, 28 and 35-day auctions.

As David mentioned, the current market dislocation appears to be one centered on perceptions of liquidity and not credit. While many of the Dormitory Authority's affected issuers and issues have municipal bond insurance, the vast majority of the affected borrowers also have their own public rating.

Potential investors may want to familiarize themselves with the credit quality of the entity for which the bonds were issued.

Historically, as many of you know, the Dormitory Authority has taken steps to provide transparency and to provide easily available information from which investors can make decisions.

We have engaged the services of DAC, the Digital Assurance Certification, to make information readily available. Investors can reference DAC's Web site for certain financial information relating to the institution such as LOS's [sp], audit their financial statements, and financial and operating data.

And to follow up on the point that David was making earlier about what we are doing, we are real--we are doing all that we can to provide investors with comprehensive

information to enhance the transparency of the Dormitory Authority's Auction Rate Securities.

Starting today, we will post on our Web site, www.dasny.org, simple, clear, concise and comprehensive data to help you make informed investment decisions.

So, beginning today, you will have access to a number of things.

First, you'll have an auction calendar, which lists all of our Auction Rate Securities that will be auctioned each day of the week. We will update this calendar weekly.

Second, you'll be able to see the relevant data for each of our Auction Rate Securities on our chart of auction rate issues. This document provides all the information that investors might find of interest, all in one place. You'll find a lot of information on the chart. David talked about some of this at the top of the call. But, again, we hope that we're providing all the information that you would find necessary.

We think that the information that we're providing on the chart is the most useful breakdown of information for investors trying to make decisions. We will also update this information weekly.

Third, we're providing our current list of broker-dealers and their phone numbers together with the list of issues associated with each broker-dealer.

Fourth, we'll provide a link to DAC so that investors will be able to access the official statements for each of the affected Auction Rate Securities. LOS's will have information on the procedures of the auction and a description of the security.

And as I noted earlier, the DAC Web site is also a useful tool to access recent disclosure information in accordance with the continuing disclosure rules.

And finally, in the coming days, we will authorize our auction agents to release on a daily basis the results of each of our auctions.

Mr. David Brown: Great. Thank you, Portia.

And now, I'd like to introduce Joe Fichera. He's the CEO of Saber Partners.

Joe has been an investment banker for 25 years and has been active as a strategic advisor to top corporations and governments in the Tax-Exempt and Taxable markets. He's an expert on Auction Rate Bonds.

The Dormitory Authority has retained Saber Partners to assist us as financial advisors.

Joe?

Mr. Joe Fichera: Great. Thank you, David.

To continue the steps, it all goes through the broker-dealers. And what we are going to be doing by increasing transparency, broadening competition, investors in the Dormitory Authority auctions will become better informed and better able to assess the credit and the liquidity risks of the auctions compared to all other auctions' securities in the market.

This was the missing element in the past, the ability to assess liquidity risks, as well as credit risks. This should give the Dormitory Authority Auctions a durable, competitive advantage in the marketplace.

Clearly, we will--all can agree that auctions can provide an effective and efficient means of liquidity at market-determined rates. And we have seen that the most successful auctions in the market, and the most efficient pricing through an auction mechanism generally requires broad participation, strong competition on the disclosure

about the credits and about how the auctions, themselves, were conducted and what they produced.

Currently, each of the auctions that we're talking about here has a single broker-dealer who brings their clients into the auctions and submits bids to an independent auction agent who calculates the bids and determines the winning rates.

As Portia said, we will make those names available on the Web site. And we will be establishing a special Bloomberg page with the names of each of the broker-dealers as well as for each of the deals that we are talking about.

We have found, looking at the results of these auctions, as well as consulting with other market participants, that auctions with multiple broker-dealers typically have more bids than solo broker-dealer auctions, even where all the securities for sale have not been placed below the maximum rate.

So, the Dormitory Authority will be seeking to significantly expand this list of broker-dealers and investors for each of our clients for each auction in the days to come to increase competition and broaden distribution to more potential investors.

The expansion will be beyond market conventions of the--maybe three or four to a much larger list.

The Dormitory Authority will seek to get broker-dealers involved at the make markets by asking each of the borrowers to authorize more broker-dealers in accordance to the agreements we have with them already.

We will start by inviting each of its designated underwriters and selling group members that responded to an RFP in year 2005 and were selected for negotiated transactions to sign up and participate in the Dormitory Authority's auctions.

As you know, the large--the volume of issuance of the Dormitory Authority, this is a very large list that we'll be approaching.

If the Dormitory Authority succeeds in hiring more broker-dealers, because it will be voluntary on their part, the investor base for bidding in Dormitory Authority auctions should expand beyond the current number of brokers' clients and which will give Dormitory Authority auctions a significant distribution advantage versus other auctions' securities.

Let me emphasize that any broker-dealer in the country will be eligible to sign up to participate in the auctions on behalf of their clients. If they accept the Broker/Dealer Agreement and are--and wish to compete for the fees that our borrowers pay to broker-dealers who make markets for investors in the auctions.

The fees are, right now, approximately 25 basis points per annum. And compared to any other fees that you can earn selling securities on an ongoing basis, 25 basis points is a good sum of money.

The Dormitory Authority is also seeking to streamline the process of adding broker-dealers by developing, for the first time, a master Broker-Dealer Agreement for Auction Securities issued through the Authority so that there will be a one-stop shopping place for a broker-dealer to come and approach the Authority about broadening the participation.

Any broker-dealer interested in participating at auctions of the quality institutions that the Dormitory Authority serves may get a copy of the agreement from the Authority or from the auction agent, such as Deutsche, Wilmington Trust and others that are listed.

A list of the CUSIP numbers will be made available to everyone who registered for this call via e-mail or by visiting the Dormitory Authority Web site.

Now, one more point about transparency and the additional information we will be releasing over the coming days. Many people believe that the most liquid and transparent auctions in the market are those conducted by the U.S. Treasury. It's clearly the market standard.

The Treasury uses a Dutch auction process as well, in terms of filling, similar to the one employed by the Dormitory Authority. Following each auction, the Treasury releases information about the auction results so that investors can assess the liquidity of that auction and what it produced.

To the extent possible, the Dormitory Authority will emulate this disclosure. It may not be possible to do this quickly, but the Authority is determined to make the effort. That means being about to give information about the number of hold orders, the number of bids, the range of bids, the bid-to-cover ratio, everything that the Bureau of Public Debt right now for the United States Government releases on its auctions, we think is good enough to release on DASNY's auctions.

Auctions will be made readily available through both the posting on the Web site, and we have worked very closely with Bloomberg, who has been a leader in terms of providing transparency and additional information to institutional investors, to establish a special DASNY page. And then--and it will be D-A-N-Y, Muni--go--under the Muni key, D-A-N-Y. It's not up there yet, but it will be up.

And we consider that--as the clients consider their options going forward to restructure or redeem or hold the course, we hope to stabilize the market, bring investor

confidence back to Dormitory Authority Auctions and Securities so the decisions that are made by both the investor--investing community about where to place their funds, and our clients as to what issues--to what types of structures to issue will be made in an orderly fashion to bring order and stability back to a market that has been racked by turmoil, but one that we believe, with more information like this and with more efforts by those people who wish to earn DASNY's business, we will be able to get to that point.

Mr. David Brown: Great. Thank you, Joe. And Portia, thank you.

That concludes our presentation.

I'd like to have our operators open the call up for investor comments and questions.

But, just a note before that happens. There are a number of folks from the media who've joined our call. And I--thank you for taking time to listen in. I'd like to focus this Q&A session on investors.

And I know that reporters may have question for us--have questions for us, and we're very happy to address them in a separate conference call for reporters that we're setting up for 11:30 this morning.

So, please take down the following information and call me back at that time. The phone number is 1(877) 407-7185. That's (877) 407-7185. And the access code is 31654#.

All right. Thanks a lot.

And now we will take questions, if anyone has any.

Operator: Thank you.

We will now be conducting a question and answer session.

If you would like to ask a question, please press star-one, on your telephone keypad. A confirmation tone will indicate your line is in the question queue.

You may press star-two, if you would like to remove your question from the queue.

And for participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Again, if you would like to ask a question, please press star-one, on your telephone keypads, at this time.

One moment, please, while we poll for questions.

Thank you.

Our first question is coming from Richard Ryan of Smith Barney.

Mr. Richard Ryan: Hi.

I have a lot of clients that are in Auction Rate Municipals. I don't happen to have your security.

But, one thing that I--I'm kind of dismayed about is I know the municipalities want to create reasonable markets in these, but I haven't seen anyone address the biggest fear.

We're concerned that we'll wake up some morning and our security has changed into a 2 percent Muni coming due in 2041.

The other concern we've got is an Orange County concern. What are your treasurers doing with your cash?

Those are two things.

So, I would buy--I've been buying some of this stuff, and I have a lot of this stuff that has great rates. I feel a little guilty about Children's Hospital, but I've been on the other end of things, as well.

So, can you address that can you convert your securities into low fixed rates without calling all the existing bondholders and getting anyone out whole at par without cost?

And secondly, how do you invest your cash? Is it invested in the U.S. Treasuries or are tranches involved?

That's it.

Mr. Joe Fichera: Let me try to answer that question.

Each--obviously, the quality names that we talked about, the University of Rochester, Cornell, the New York University, all--they've issued Auction Rate Securities, but they're all--sort of have different terms and conditions.

One of the issues in--it's important to realize that not all of the Auction Rate market is perfectly identical, as people try to tie them.

Generally speaking, without talking--it is not possible to--in my experience, to convert the security without the consent of the investor, either by having--going through a mandatory tender--.

Mr. David Brown: --There are provisions in the documents that--and each feel there are authorized mode changes. And since each of the documents differ, I'm not sure we're able to answer what mode changes are permitted under each of the documents.

Mr. Joe Fichera: Right.

Mr. David Brown: And we'll have to review them for each of these clients.

Mr. Richard Ryan: Well, that's your problem because if you're not being front--coming upfront with this stuff, no wonder you're paying such a high rate. We want to know what the deal is--

Mr. Joe Fichera: --Well, we're--.

Mr. Richard Ryan: --Like I said, if you can turn this into a 2 percent paper for--due in 30 years, I don't want any part of it.

If you're going to--if we're going to be okay here and resume our weekly stuff, hey, I'm all for it. I've got people looking to invest with cash.

Mr. Joe Fichera: I think it's important. That's why we're giving you access to the official statements. We're going to give you the summaries on our Web site, and answer your specific question.

We have--we will get back to you directly if--on it--which security that you're looking at so that we can look--review the documentation.

Mr. Richard Ryan: Okay.

Well, anyway, I'm--frankly, these are 250-page--I've read three or four of them over each of the last two weekends. And if you see KS [sp] in the markets, that's why. I'm just trying to be a friend here.

Mr. Joe Fichera: Which--no, no. I think it's very important--.

Mr. Richard Ryan: --It has nothing to do with the B rating or the insurance and all that stuff.

Mr. Joe Fichera: It--which doc--which--.

Mr. Richard Ryan: --I haven't read your documents. I've read many in California. That's where we're located here.

So--but, this is a conference call that is a--you know, I'm happy to be a part of. I don't want to disrupt every--anything.

But, I just thought I'd give you a heads up on what the real problem is here.

Mr. David Brown: No, that's useful. And thank you for that--.

Mr. Joe Fichera: --That's excellent--.

Mr. David Brown: --Because it helps us understand your perspective.

Mr. Joe Fichera: And you also had a second question about where we use our cash--.

Mr. Richard Ryan: --Right--.

Mr. Joe Fichera: --And I think that part of that is there are tax issues and--about whether--and SEC concerns about whether an issuer, or the Dormitory Authority, with cash, can actually participate in the auction, or buy into secondary markets.

There's been a lot of press about that in terms of going back and forth whether that might be some sort of manipulation or not.

But, I can tell you one, of the items on the table is considering, perhaps, open-market purchase programs, perhaps tender offers, those kinds of things where we would use our cash.

But, you've got to understand that the complexity of some of the tax issues, and given the settlement in the auction, the broker-dealer settlement, in 19--in 2006, it may prohibit the Treasurer's, you know, put--in the corporate world they might be able to, but not in the municipal world to use--to participate in the auctions. We're under Federal restrictions.

But, I think that's another good question, and I'm glad that is vetted here so that we should get--be able to get back. And I know we got very limited time in order to get through some other questions, and you've got to get to the chamber.

Do we have another question?

Operator: I'd like to remind the audience if you would like to ask a question, you may do so by pressing star-one, on your telephone keypads at this time.

Our next question's coming from Ann Roth [sp] of Roosevelt & Cross.

Ms. Elaine Brennan: Actually, it's Elaine Brennan at Roosevelt & Cross.

Thank you.

I just want to, first of all, make a comment about I think the Dormitory Authority is to be commended for their actions in the transparency issue. I think that's a problem we've had in the Auction Rate and Variable Rate markets for some time. And I'm glad to see you've been taking such great leadership on that.

I--.

Mr. David Brown: --Oh, thank you--.

Ms. Elaine Brennan: --You're welcome.

Another question I'm not sure if you have the answer to yet, but just to get a sense, you say you have 1.3 billion outstanding with 11 private clients.

Do you have a sense, yet, about how that will pan out, say, six months from now in terms of what will be auction rate, what will be demand bond, what will be fixed rate or is it a little too early to tell?

Mr. David Brown: That--yeah, that's a good question, and I think it's on everyone's mind. And I don't--I can't really say.

It is not--put it this way, it's not clear to me that everyone will be out and into something else by then. I think that we're--people are taking a very hard look at all the options, and we don't want to rush into something that provides an early exit, but is ultimately more expensive.

But, that's about all I can say. I really don't know.

Ms. Elaine Brennan: Okay.

That's fair enough. Thank you.

Mr. David Brown: Next question?

Operator: Thank you.

Our next question's coming from Art Vandelay, private investor.

Mr. Art Vandelay: Oh, hi.

What will you do to refund my bonds and give me my money back at mark?

Mr. Joe Fichera: That's a good question.

I think the question, though, from an insurance standpoint is where you've invested. We're trying to make sure that you have liquidity in the auctions that--with the security that you invested.

Whether to redeem or refund, that's a separate question that has to be addressed and not necessarily acted upon in terms of that way. But, we want to provide you the information, and other people the information, so that you can sell your bond--if that's what you want to do, sell it to another investor for what we believe is--it is worth for what you paid for it based on the auction structure.

And we're going to--I think from this call, sir--and I know you represent a lot of people who have that same feeling. But, you have been reading about everything in the headlines, you've been reading about it in the paper.

And we wanted to say, to cut through all of that--because we've been talking to the brokers, the Executive Director here has been on the phone, as long as Portia--and try--and looking at what the real issues are. And we see a lot of panic, a lot of fear. It's sort of like a bank run. It doesn't make a lot of sense.

And we believe with more information and more concentrated effort, with more channels of distribution, when you want to sell your bond, you're going to be able to sell your bond. But--we can't guarantee that, but we're certainly going to be doing everything possible to make that happen.

Mr. Art Vandelay: Thank you.

I commend you for holding this call. Thank you very much.

Mr. David Brown: Thank you.

Operator: Thank you.

Our next question is coming from Joe Rosenblum of AllianceBurnstein.

Mr. Joseph Rosenblum: Thank you for the call.

Are any of the 11 that you listed facing any kind of immediate cash problems because the interest rates have jumped to the maximum rates?

And sort of a related question - does the Web site that you're putting up, does that have the numbers in terms of the added interest payments that they're having to face on a weekly basis or on a monthly basis?

Mr. David Brown: Good question.

For a variety of reasons, we don't want to get into anything relating to our individual clients and their situations or, you know, their financial situation. You'll have to just look at those credits yourself.

The Web site, at this point, isn't going to have that information.

Portia?

Ms. Portia Lee: Yeah, I guess I would direct you to the Web site. And take a look at the auction rate issues chart. There's a good deal of information there including the QUSIP number, the name of the bonds and the series, the par outstanding, the last auction date, the last rate at the last auction, as well as the next auction date.

Mr. David Brown: And we are--it's a work in progress. We are considering adding additional things that will add transparency. We just want to make sure, before we get it up there, we understand that we got it right.

Mr. Joseph Rosenblum: Does it give the rate when they originally issued so that you compare it to what it sort of--what they're paying now?

Ms. Portia Lee: Yeah, it gives the last auction rate.

Mr. David Brown: But, it doesn't--he's asking whether it shows where it was in the beginning and where it--what it changed to so--.

Ms. Portia Lee: --It does not.

Mr. Joe Fichera: But, we will be able--with--that's one of the things we're trying to get together is historical pricing information relative to the indices so that you can see where it was in the past.

Mr. Joseph Rosenblum: Yep.

Mr. Joe Fichera: But, you know that this sort of has--the world has changed sort of in the past two weeks where the past isn't going to be necessarily predictive of the future. You weren't able to assess your liquidity risk back then. There was a transparency issue. Now, you will.

We expect pricing to adjust. Should it adjust to these levels? Reasonable people can disagree, but we don't--but, when you look at the numbers, it doesn't make sense in terms of alternative investments and liquidity and the quality of the securities here.

But, that will be determined by the marketplace. As long as we--the auctions have the transparency and the distribution to a broad number, the market will determine that rate.

Mr. David Brown: All right.

Well, thank you all. Thank you, you questioners.

This call is going to be available for replay through March 7th. And we're going to be asking all of our investment bankers to send the procedure for replaying this call to all their institutional, retail and high net worth customers.

We believe that with more information, the DASNY credits will be the credit of choice for auction rate capital.

Thank you all very much.

Operator: This concludes today's teleconference. You may disconnect your lines this time.

Thank you for your participation.