



News from Civil Service Employees Association

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FULL DISCLOSURE AT ISSUE IN QUESTIONS ABOUT NYSARC CHAPTER FINANCES RAISED IN BOND APPLICATION REVIEW

ALBANY, NY -- 9/21/2006-- Nine of thirteen chapters listed in NYSARC's Series 2006 Revenue Bond application to the Dormitory Authority of New York State may be financially at risk according to a review conducted by **Locker Associates**, a firm with more than 30 years experience in financial analysis and due diligence. Even more shocking is NYSARC may not have fully disclosed adequate information.

NYSARC, Inc., is the state's largest contractor of services for people with developmental disabilities with 49 chapters across the state and \$1.4 billion in revenues, most of it from public funds.

The review shows NYSARC chapters in Monroe, Herkimer, Putnam, Saratoga, Warren-Washington, Otsego, Steuben, Ontario and Montgomery counties have a seriously high level of liabilities relative to total assets.

These chapters along with chapters in Westchester, Essex, Chemung and Schoharie counties last spring applied for a nearly \$30 million, state taxpayer guaranteed bond to expand their operations. Following questions raised by CSEA about the application, the Dormitory Authority has twice tabled action on the application. The state Office of Mental Retardation and Developmental Disabilities is also conducting its own review.

"The issue is full disclosure," said CSEA President Danny Donohue. "It's no surprise that some not-for-profits operate close or over the edge of solvency but NYSARC should be upfront about that information when they're asking for a public authority to put its stamp of approval on their bond application. We all support improved services and quality care. But it will fall to state taxpayers if the NYSARC chapters' are unable to meet their obligations or deliver needed services."

The **Locker Associates** report also raises questions about NYSARC's potential liability in a Medicaid Risk Assessment study that the organization has not been made public. There are also unanswered questions about NYSARC restructuring of chapter and parent liability obligations and how this might affect bond security.

The **Locker Associates** review was provided to Gail H. Gordon, Chair of the Dormitory Authority, with a request that the information be fully assessed before any approval to the application is granted.

Last winter, CSEA launched the Quality Care campaign seeking to secure a better future for developmental disabilities services in New York. The campaign is aimed at improving the delivery of services, addressing low pay and high turnover rates among employees of not-for-profit contractors and ensuring that quality standards are met statewide.

Attached is the Locker Associates, Inc. Press Release:

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FOR IMMEDIATE RELEASE:

Locker Associates Voices Disclosure Concerns to DASNY on NYSARC Bond Offering

New York, NY, September 20, 2006: Locker Associates Inc, a New York-based business consulting firm, today raised financial and operating disclosure concerns with the Dormitory Authority of the State of New York (DASNY) over a proposed bond issue by NYSARC, Inc. to be considered at a DASNY hearing next week. NYSARC, Inc is the largest provider of services for people with developmental disabilities in New York State, with 49 chapters and \$1.4 billion in revenues. This follows the Authority's decision to put aside a proposal to issue \$30 million in bonds during their July 26, 2006 board meeting after a state public employees union, Civil Service Employees Union (CSEA), alleged numerous violations and quality-of-care issues at NYSARC, Inc. Locker Associates, a firm that has more than 25 years of experience in performing financial analysis and due diligence, requested that the Authority delay the issue after being commissioned by CSEA to investigate the transaction. In a letter to Gail Gordon, Chair of the DASNY Board, Mr. Michael Locker, President of Locker Associates, detailed the concerns that he and his firm have regarding adequacy of financial and operating disclosure by NSYARC, Inc.

"As financial experts and members of the business community, we well understand that investors are entitled to any 'material' information on the financial condition and operations of an issuer," Mr. Locker commented. "Regarding NYSARC, Inc. we understand that there may be considerable operating and regulatory irregularities at one or more NYSARC chapters which could have a significant impact on NYSARC, Inc.'s operations and financial profile. And these issues could result in the restructuring of NYSARC, Inc.'s corporate structure, and limit its liability for obligations at individual NYSARC chapters. Our own financial analysis on the thirteen NYSARC Chapters which will be obligors of the bond issue indicates that there are real questions about their ability to service these bonds on their own. Therefore, we are calling for additional disclosure on any irregularities or operating problems which could impact the organization's ability to service these bonds, as well as further disclosure on a possible restructuring at NYSARC, Inc. and more financial data on the individual Chapter obligors."

The Locker Associates investigation comes during a time when New York State is in the process of revamping the way Authorities are operated and structured. Recently, the New York State Commission on Public Authority Reform, a bipartisan commission created by Governor George E. Pataki, called for a broad overhaul of the state's secretive public authorities, saying they must be regulated more like publicly traded companies. Locker Associates' investigation and letter to the Authority are effectively serving notice to DASNY's Board to embrace the new culture of greater disclosure and due diligence that is being mandated by the Commission on Public Authority Reform. Locker Associates is a New York-based business consulting firm that specializes in enhancing the competitiveness of businesses and industries on behalf of corporate, union and government clients. Locker Associates has more than twenty-five years of experience in performing financial analysis and due diligence on a wide variety of projects, including feasibility studies, restructurings, mergers and acquisitions, buyouts, and business and marketing plan reviews.

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